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# ***JPRS Report***

## **Soviet Union**

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**WORLD ECONOMY &  
INTERNATIONAL RELATIONS**

***No 6, June 1990***

# Soviet Union

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13 September 1990

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**World Economy & International Relations**

No 6, June 1990

**English Summaries of Major Articles**

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MEZHDUNARODNYYE OTNOSHENIYA in Russian  
No 6, Jun 90 (signed to press 15 May 90) pp 158-159

[Text] N. Pavlov, "German Question and 'European House' (Balance of Powers' and Interests' Account)." German question, in author's opinion, is primarily the problem of the tragic experience of two world wars having been started from German soil, and but secondly of the ways to overcome the division of the nation and to restore a unified German state. The question touches the most sensitive nerves of European and world policy; by no means it should be allowed to become again a source of fears, misgivings and distrust. In contrary, it may, and it ought to be a testing area for the new forms of bilateral and multilateral cooperation for solving the most urgent problems we have inherited from the past.

For a long time it was supposed, that the only chance to overcome the split of Germany might be produced by overcoming of the division of Europe; the life has put the sequence in place of condition. Speedily advancing German unification stimulates European countries' efforts in creating a common security system and intensified construction of "European house."

From Pavlov's point of view, only non-alignment of new Germany with either of two military block structures may prevent the existing military balance in Europe being disturbed. In the political-military sense the German question might be closed only when unified Germany does not oppose anybody or excite anybody's suspicions.

The author is strictly opposed to the plans of Germany's attachment to the military organization of NATO and stresses Soviet rights and responsibilities for the German regulation; he is sure, that Soviet troops should stay in the Eastern part of Germany until we may be sure, that the German question in political-military sense is solved thoroughly and safely.

An attempt to analyse and predict the future of crucial changes in Europe is undertaken in the article "The New Logic of the European Development" by S. Smolnikov. The author believes that recent changes in Eastern Europe and a new dynamics of the European Community on its way to Economic, Monetary and Political Unions are leading the Old Continent to a principally new structure with the EC as a major element of the system under construction. He also argues that fears of the United Germany to become a new "superpower" with dangerous intentions have no serious political and economic ground, if modern international positions of Federal Republic are taken into account. But the United Germany will give more opportunities both West and East only if it stays in NATO and remains an active

member of the EC. It is also stated that the experience of Poland in replacing the administrative system by market oriented economy is of super value to other East European countries and especially to the USSR, which is at the moment the most uncertain element of the system. The only way to neutralize this uncertainty is the real adherence of the Soviet government to the market combined with Western financial, technical, and economic assistance. In such a way only the new level of economic ties established between East and West will contribute to the new content of European security based on common economic principles and military structures. Under the modern circumstances there is an extraordinary chance for two parts of the European continent to increase their interdependence and promote a new model of international relations. The national ambitions should be converted into non-violent order. Europe of the 90s has everything to become a liberalized market zone where the products of human talent and labour can be freely exchanged by all European nations.

N. Fedulova "USSR-USA-PRC Relations and Some Trends of International Development."

A few short periods of detente in the post-war history of international relations, e.g. the end of the 50s and the beginning of the 70s were mostly used by the partners not to cease the arms race, but to establish rules for its continuation.

In the middle of the 80s the situation has been changed. The sober estimation of realities of the nuclear age stimulated new steps to cooperation for the sake of international peace based on the priority of universal human rights.

The role of the intersystem contradictions is essentially reduced. Serious structural shifts in the international sphere, produced by changes in Soviet-American-Chinese relations confirm the statement. The author points out, that China becomes really an independent partner in the trilateral system, whose role is constantly increasing.

To harmonize North-South relations is, in the author's opinion, even more difficult, than East-West relations, though the latter problem is super-complicated by itself. Joint efforts only by the Soviet Union, the United States and China may result in satisfactory creation of the new economic order, and the solution of the developing world's problems.

While political instability in the third world remains and the danger of the nuclear proliferation still exists, the nuclear powers cannot do away with all their atomic weapons.

To overcome the East-West and North-South contradictions, it is necessary of the humanity to reach the new stage in its development where its real history just begins. The role of such powers as the USSR, the USA and China in establishing the new world's order is immense.

Within the new conditions of economic growth the corporate management in industrialised countries is concerned with the phenomena of organisational culture. In an article "Organisational Culture of a Modern Corporation" A. Ageev and M. Grachev discuss the philosophy of this factor and its specific feature in the early 90s. The authors emphasize the complexity of culture and ethics of a business enterprise and examine the role of management in both developing organisational culture and using it as a means to improve corporate effectiveness. In the center of this process are the transformation leaders, who the unlike traditional administrators of technocratic nature the view themselves as social architects, who create corporate vision and manage the socialisation of personnel in a company. This helps to motivate employees and develop commitment to corporate goals. On the other hand there is still a certain risk of using management of organisational culture in manipulative manner. Some of the discussed ideas the authors apparently regard as appropriate for Soviet enterprises.

E.S. Varga's scientific heritage was discussed and appraised in a proper manner at the meeting of the IMEMO Scientific Council devoted to his jubilee. In the report "Plan and Market Under Conditions of Capitalism," V. Studentsov emphasizes that sometimes it is difficult to appraise properly yesterday's achievements of the theory from positions of these days. A good example of this situation is the idea of E.S. Varga on a correlation of the planning and anarchy in the post-war capitalism which was severely criticized at that time but could seem a trivial one under conditions of today's capitalism. The author also argues that the planning and spontaneity constitute two alternative forms of coordinating the economic activity because even K. Marx showed that private interests, meant socially determined interests and could be achieved under conditions formed by the society. But an intensification of the division of labour led inevitably to a complication of economic relations and a development of the inter-firm cooperation. Thus, a private regularity was supplemented with a public regularity and the state became a bearer of the latter. The state regulation realizes the same functions as a competition, and the bounds between them are mobile and are defined by the property relations and by the character of interests. Therefore, the contemporary capitalist economy constitutes a mixture of the planning and competition principles which do not disclaim, but supplement each other. S. Komlyev, in his report "Discussions on Productive Labour: The Contemporary View" dwells upon the problem whether the labour in the sphere of services should be considered as the productive labour. The author comes to a conclusion that an equalization of circulation costs with the non-productive labour formed the basis for profound disproportions in the sector structure of the USSR economy and that the radical economic reform in the USSR is impossible without a repudiation of outdated stereotypes in the theory. S. Peregoudov's report "A Mechanism of Political Management and the State Monopoly Capitalism

Concept" is devoted to problems of correlation of economics and politics which occupied a special place in the scientific search of E.S. Varga, who believed that side by side with the "anarchical mechanism of capitalism" there were "conscious economic and political aspirations" of the state and other economic groups directed at the crisis. Among them, he named various socio-political forces such as bourgeois and reformist political parties, the working-class and trade-union movements, farmers' organizations, etc. The role of the socio-political forces at present shows that the mechanism of the political management of the bourgeois society needs a comprehensive and complex study even when taking the interests of a successful reformation of our social relations into a proper account.

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### The German Question and a 'Common European Home'

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MEZHDUNARODNYYE OTNOSHENIYA in Russian  
No 6, Jun 90 (signed to press 15 May 90) pp 5-17

[Article by Nikolay Valentinovich Pavlov, candidate of historical sciences; acting sector chief, USSR Ministry of Foreign Affairs Diplomatic Academy]

[Text] *The future of Europe is a constant topic in the pages of our journal. Of late the problem of German unification has come to the forefront and has lent new urgency to the questions: on what principles should our common home be built, does the traditional balance of forces guarantee European security, is the neutralization of Germany in Europe's interests, and what part will blocs play in the new stage of European history? The authors of the articles published below address these and other questions, each in his own way.*

The events of recent months and especially the beginning of the dismantling of the wall that had divided the German nation and Europe into "two worlds and two policies" affect the most important problems of international life: the strategic equilibrium between East and West; the prospects for building a "common European home"; the existence of the largest military-political alliances of all time in Europe; the creation of a unified German state, its status, and in this regard, the inviolability of European borders, i. e., the resolution of the German question in all its aspects. At the same time, it must be remembered that the German question is above all the sad experience of two world wars that came from German soil. Only then is there the problem of overcoming the nation's division and the Germans' acquisition of unified state independence. The German question strikes the most sensitive nerves in European and world policy. There is no place for trial and error here. Under no circumstances can this question be allowed to once again become the source of fear, apprehension, and



mistrust. On the other hand, it can and should become a field for testing and affirming new forms of bilateral and multilateral cooperation in the resolution of the most urgent questions we have inherited from the past.

#### A Unified Germany in the "Common European Home"

The question of where Europe is heading and what it will be like in the third millennium is no longer rhetorical and has long ago entered the stage of its practical resolution. Laborious work by politicians and diplomats, scientists and specialists within the framework of multilateral forums and in the course of bilateral contacts ultimately has one goal: to secure peace on the continent, to create a firm, long-range basis for many-sided cooperation, and to extract maximum benefits both for the peoples inhabiting it and for each individual person.

The Old World, which possesses a mighty economic, scientific-technical and intellectual potential and is armed with the ideology of the new political thinking, has every possibility of entering the international arena as a unified organism in order to speak more definitely and confidently in its name and to actively promote mankind's progress. The "common European home" is one of today's realities, many of which demand urgent solutions, and a prospect, whose goal is a common European structure in the third millennium.

In the West there are many who prefer to speak of the European "world system" or "order." Without debating the term itself, however, it should most definitely be said that whether the "common European home" or the "world order," the point at issue is above all the basis and main principles of future peaceful and mutually advantageous human cohabitation in Europe and that one of the most significant goals of building the "common European home" is to overcome the division between East and West that determines the face of the continent today.

The answer to the question of what Europe should be, and what we conceive the "common European home" to be, is probably pivotal. Otherwise, in Seneca's words, we may be like a man whom no wind favors because he himself does not know the port he is steering for. Common sense suggests that Europe should be peaceful and nonviolent, a continent of economic and humanitarian cooperation, economic security and ideological interaction.

The real transition to peaceful competition and cohabitation requires the revision of stereotypes that have formed over decades and compels the adoption of a loyal, respectful attitude toward neighbors' views of the "common European home." There can and should be debate; at the same time, it is necessary to observe the culture of debate and to exclude from it all elements of psychological warfare; ideological contradictions should not be transferred to the interstate level.

The departure from confrontation in the course of realizing the new peaceful and nonviolent order in Europe

objectively raises the question of dissolving military-political blocs, which presupposes building down and subsequently eliminating foreign military bases and the foreign military presence on the territory of European countries. The point is to promote mutual security through political rather than military alliances.

A key role in the European process belongs to the two German states. While in the past, the opinion was that the prospect for overcoming the division of Europe would open up the chance of overcoming the division of Germany, in places life has changed the conditions, and the consequences. The impending unification of the two German states is objectively prodding European countries to develop collective security systems and thereby to accelerate the construction of the "common European home." This difficult equation, which was compiled by history, must also be resolved. Only a political approach that is oriented toward the sober and comprehensive consideration of the entire complex of existing realities can provide the answer.

Before examining the role and place of a future Germany in all-European structures, we should clarify the legitimacy of using the term "reunification." This term was adopted by West German ruling circles from the moment the West German state was formed and it had and to this very day still has a clearly expressed offensive nature since it envisages gathering all parts of Germany within its 1937 borders under the aegis of the Federal Republic of Germany. The German Reich was destroyed as a result of World War II and the nation within its new borders was divided into four occupation zones that were subsequently transformed into two independent state formations. It is therefore more correct to speak of the unification of the two German states, which accords with historical realities and the logic of events and does not call the existing boundaries into question. Both German states were the offspring of the Cold War and were the result of the tacit agreement of the ruling circles of the three leading Western powers and the erstwhile Soviet leadership headed by Stalin to divide the world, and especially Europe, into spheres of influence. The eradication of the vestiges of the Cold War also became an urgent problem. In other words, the construction of a common German home is a necessary condition to the establishment of a qualitatively new peaceful and non-confrontational order in Europe. The wave of democratization and rejection of models of Stalinist-type barracks socialism that rolled through East European countries following the Soviet Union's example which adopted the ideology of the new political thinking with its awareness of the interdependence and unity of the world, which places primary emphasis on common human values, has only accelerated centripetal tendencies in the German problem and has in fact reinforced their irreversible nature.

No one is entitled to take away the Germans' lawful right to establish a unified state. The right of free choice and the right of a nation to self-determination are set forth in

the most important international agreements and conventions, in the Final Act on Security and Cooperation in Helsinki. The joint Soviet-West German declaration signed in Bonn on 13 June 1989 indicated unconditional respect for the integrity and security of every state as the paramount element in the building of a Europe of peace and cooperation; the right of every [state] to choose its political and social system; unconditional observance of the principles and norms of international law, in particular, respect for the right of peoples to self-determination.<sup>1</sup>

The unification of the two German states can unquestionably help to eliminate the division of Europe, i. e., can promote integration processes between East and West. This first of all concerns economic matters, considering the fact that the GDR and the FRG presently belong to different international economic formations. But the degree of their integration in the European Community and the Council for Mutual Economic Assistance is quite great. The unification of the two German states, each of which is a key link in its own independent chain, will objectively set European economic structures in motion and form an additional ligament, a new artery of mutually advantageous cooperation between East and West that is called upon to balance, to equalize levels of economic development to their mutual benefit.

The formation of a unified (we add—non-bloc) German state against the background of the unique disarmament experiment undertaken in Europe will promote the politicization of military blocs and will accelerate the creation of European collective security structures. Consultations that have begun on the formula 2 + 4 (this formula was agreed upon in Ottawa in February 1990) make provision for discussing external aspects of the construction of German unity with the participation of the FRG and GDR as well as the USSR, the USA, Great Britain, and France and are based on the recognition of two factors: the responsibility of four powers for the future role of Germany in the world and consideration of the major changes that have taken place of late in Europe, in the world, and in the two German states. This is only the forerunner of a qualitatively new negotiating instrument in Europe which, with the expansion of the circle of its participants from the number of interested states can, in addition to existing structures, become an important part of the peace mechanism in Europe that is responsible for articulating policy in the area of security on the continent. With the transformation of the formula into 1 + 4 or more states—and this tendency exists—the possibility is not excluded that the functions of an organ that oversees Germany's fulfillment of decisions that are yet to be made and adopted in the military-political sphere will be transferred to this negotiating institution in the future.

The benefit of the merger and mutually advantageous enrichment of the two postwar cultural branches that formed as a result of the historical development of the GDR and FRG, to say nothing of the benefits of the joint

resolution of environmental normalization problems in Central Europe, is unquestionable.

Thus the positive resolution of the German question and the movement toward Germany's unification do not objectively contradict the construction of the "common European home" or the norms of international law and correspond to the principles that were formulated in Potsdam by the victorious powers in World War II with the support of the absolute majority of peoples who were liberated from the fascist yoke. All this is so, but...

#### **Yes, But...or the Question of the Balance of Forces and the Consideration of Interests**

While the unification of the two German states is lawful, at the same time or before this, it is essential to clarify a number of points, above all the place that a united Germany would occupy in military-political structures on the continent.

Many responsible West German politicians, including Chancellor H. Kohl, are declaring that Germany's future is inconceivable without membership in the EC and NATO, that any kind of neutral status for the nation is out of the question, and that this will supposedly accord with the interests of the Soviet Union. In their opinion, the model of a neutral Germany looks naive from a political point of view and unreal from a practical point of view since it precludes the country's participation in European security structures and, accordingly, control from without. The dramatic growth of the "new nationalism" in East European countries (and the Germans are by no means an exception in this regard) can lead to unpredictable consequences. Thus, the neutralization of a future unified Germany in the classical sense supposedly contains a serious threat because right-wing forces will supposedly inevitably struggle to bring the state's military power into line with its economic potential.

Indeed, it cannot be denied that there is a certain amount of logic in these authors' arguments. But the legitimate question immediately arises: why then can Germany not be integrated in the Warsaw Treaty Organization? It seems to us that the answer to this question will consist not only and not so much in the fact that the majority of the nation's population will hardly want this. Public opinion polls confirm the trend for Germans (especially the West Germans) to wish to be free of outside guardianship and to build German unity without blocs. First, according to the data of the weekly DER STERN, 49 percent of the polled inhabitants of the FRG believe that the victorious powers in World War II should not intervene in the resolution of the German question (45 percent favored their participation; 6 percent did not give a definite response). Second, 49 percent favored a neutral status for a future unified Germany, 28 percent opted for extending the sphere of NATO's activity to the territory of the GDR, and 23 percent were unable to express, unequivocally, their stand on the given problem. Third, 49 percent of the respondents believed that all foreign troops should be withdrawn

from German soil (44 percent favored a limited foreign military presence and 7 percent gave no answer).<sup>2</sup> Public opinion polls in the GDR would probably be no less eloquent.

We must look deeper. From the West German point of view, it is a question of the right of the strong to swallow the weaker, to force its scale of values on them, but in actual fact, the question is one of radically altering the correlation of forces in Europe.

It must be clear to anyone who is even slightly knowledgeable about military questions that the membership of a unified Germany in NATO under present conditions, at a time when the Soviet Union's radical reductions of its armed forces, accompanied by their total withdrawal from all territories of its European allies with the exception of Poland and the GDR (Western scenarios in the given context naturally propose the withdrawal of Soviet troops from the GDR as well), will lead to the inadmissible violation of the military-strategic balance between the Warsaw Treaty Organization and NATO and thereby to the undermining of the very principles of stability and security in Europe. M. S. Gorbachev pointed out this circumstance most explicitly in a 21 February 1990 interview by a PRAVDA correspondent in which he emphasized that "whatever the case, security has been maintained for a long time by the existence of two military-political alliances: the Warsaw Treaty Organization and NATO. The prerequisites for forming a fundamentally new security system in Europe are only now being noted. Therefore these alliances continue to retain their role even though it is substantially modified with the lowering of the level of armed confrontation, the relaxation of the military component of security, and the increased emphasis on the political aspects of their activity."<sup>3</sup> Consequently the unification of Germany must be carried out with regard to these circumstances, specifically the inadmissibility of the violation of the military-strategic balance of these two international organizations.

The "Genscher plan," in accordance with which NATO's armed forces would not be stationed on the soil of the present GDR if a unified Germany were to join NATO, is also largely unsuitable. Such a situation looks artificial and essentially does not solve the problem since in such a case all unified Germany would factually enter the NATO sphere. The need is for decisions within the framework of which Germany's military-political status would be a part of the new all-European security structures. The German question on a military-political plane can be considered closed only when a unified Germany will oppose no one or will not be perceived by anyone as a potential threat.

The politicization of blocs has already begun, but this process naturally cannot be complete in 1 or 2 years. After all, it will be necessary to radically restructure the entire mechanism of relations and to make joint decisions. What is more, the bloc confrontation system, in parallel with the decline of their military significance,

must gradually be replaced by collective European security structures with the invariable participation of neutral and nonaligned states. In the security sphere the center of gravity is shifting from the purely military area (it is possible to speak about the military-political and military-technical area) to the economic sphere. In the age of nuclear weapons as well as other means of mass destruction, there is hardly any sense in seriously discussing the possibility of waging any kind of war—large or small—in Europe even only with conventional weapons. The unleashing of a war will inevitably lead to catastrophic consequences.

The self-liquidation of military alliances will in one way or another raise the question of the non-bloc status of a unified Germany in the future. Hence there is hardly any reason to have such a fear of neutralization, as is presently emphasized in the FRG, especially because by that time Europe itself will have an entirely different face. Mutual deterrence, *inter alia* with the aid of nuclear weapons increasingly loses its meaning with progress in the disarmament negotiations and with the elimination of the "image of the enemy." And if it is still necessary as a definite stabilizing factor, in the future it will be replaced by the institution of trust as a necessary means of realizing the principle of peaceful cohabitation.

Mutual trust must become the alternative to mutual suspicion and distrust, to the balance of fear, must lie at the basis of overcoming the division of Europe, and must open up broad opportunities for the affirmation of good-neighbor relations and for opening up broad, mutually advantageous cooperation. Thus, the formula for European security, that necessarily applies to Central Europe and specifically to a unified Germany, must be: from mutual deterrence on the basis of blocs to trust on a collective basis. What is more, this formula includes specifically joint actions, i. e., measures to bolster trust which, as we know, are based on the principle "trust but check." Related to these measures are the talks of the 35 in Vienna, the "open sky" conference in Ottawa, and many other as yet difficult-to-predict measures, the aggregate of which creates the infrastructure of the all-embracing institution of trust and of the future system of collective security in Europe. Obviously, this infrastructure, which in our opinion also presupposes the conclusion of a multilateral agreement renouncing the use of force or the threat to use force on the European continent and on conditions for keeping the peace, will incorporate political, legal and material guarantees that German Unity will not threaten the national security of other European states in the future.

As regards the socioeconomic order of a future unified Germany, hardly anyone will object to Germans living as they choose. No one can forbid them to select the Western scale of values where forms of property differ from those in the GDR today. This is how they live, e. g., in Switzerland, Austria, and many other European countries. But I must repeat once again that attempts to transfer NATO's sphere [of influence] to the East, to the territory of the German Democratic Republic break the



existing balance of power in Europe, the consequences of which are difficult to imagine: the end of disarmament talks, the sharp deterioration of the international situation that might lead the world to the brink of ruin where the demonstration of nuclear-missile muscle becomes the main argument. And it is hardly possible to so summarily strip the USSR of the right of responsibility for the regulation of the German question. Possible forced responsive actions on the part of the USSR will be entirely justified by history from the standpoint of international law.

Our Western opponents should have no illusions whatsoever on this score. Soviet units belonging to the Western Group of Forces will remain on German soil as long as necessary, i. e., until we can consider the German question to be resolved entirely and reliably on the military-political plane. The reasoning is extremely simple: as the Soviet government has declared "the presence of foreign troops both in the GDR and FRG is a special question connected with the obligations of the four powers based on the results of World War II and it can be resolved only with regard to the interests of the security of all interested states."<sup>4</sup>

The second major problem concerns the Germans' future consideration of the interests of their neighbors and partners on the continent, specifically, will a unified Germany be ready to recognize the existing borders in Europe and renounce all manner of territorial claims? In the process of movement toward unity, both the ruling circles in the FRG and the new government of the GDR have taken into account the interests of other European states and have collectively sought mutually acceptable solutions to all problems, including the conclusion of a peace treaty or its equivalent with them.

Two world wars have greatly altered the maps of the various countries. In Western Europe, 54.2 percent of the boundaries were formed after 1910; 24.3 percent date back to 1910-1924 and 29.9 percent originated after World War II. In the complex of territorial questions considered at the Potsdam Conference, it was decided in particular to give Königsberg (since July 1946—Kaliningrad) and the adjacent region to the Soviet Union. In accordance with the Soviet delegation's proposal, it was decided to establish Poland's western border along the Oder-Neisse line. Part of East Prussia and the city of Danzig (Gdansk) were incorporated in Poland. Agreement was also reached on relocating the German population or part of it remaining in Poland, Czechoslovakia and Hungary to Germany.

As is known, the FRG's "legal position" is based on the continuing existence of the German Reich within its 1937 borders. Demands to restore these borders are above all advanced by *Landsmannschaften* united in the Union of Germans of Central Germany, and in East Prussian and Pomeranian *Landsmannschaften*. The appetites of other *Landsmannschaften* such as that of the Sudeten Germans, the Silesian Germans, the Union of Danzig Germans, the Vistula-Warta *Landsmannschaft*,

*Landsmannschaften* of Germans of West Prussia, Danube Basin Germans, the Balkans, the Baltic republics, etc., go much farther. They extend to the territory of the USSR, Poland, Czechoslovakia, Hungary, Romania, and Yugoslavia. The resettlement of German minorities from Eastern Europe and of the German population on the other side of the Oder and the Neisse as a result of the war and also on the basis of the Yalta and Potsdam conferences are not recognized. What is more, in the first year the West German state was in existence, its government gave its blessing to the adoption of the so-called "charter of the banished" which modern "crusaders" still refer to as a legislative act.

History, however, has already rendered its verdict to those who look to the East in the hope of snatching territory away from East European states. The boundaries of both German states were confirmed in treaties between the GDR and Poland on 6 July 1950 and between the FRG and Poland on 7 December 1970. The Helsinki Conference on Security and Cooperation in Europe, at which representatives of 35 states ratified the inviolability of the continent's existing borders, became an event of historical significance. Ruling circles in the FRG usually justify their reluctance to recognize the existing borders in the East on the grounds that they contradict numerous legal acts and government documents and decisions of the constitutional court. They refer to the Fundamental Law and the "German Treaty" in which the final regulation of Germany's borders was postponed pending the conclusion of a peace treaty with Germany. Their arsenal also includes the Bundestag resolution of 17 May 1972 that states that "Eastern treaties" "do not create a legal basis for the presently existing borders" and also decisions of the constitutional court in 1973 and 1975 which state that "after the 'Eastern treaties' became effective, territories east of the Oder and Neisse are not legally excluded from Germany and on a territorial and a personal plane are not placed finally under the sovereignty of the Soviet Union and Poland."

Under these conditions, the movement to unify Germany is inconceivable without a reliable resolution of the boundary question. But this affects the vital interests of the FRG's and GDR's neighboring countries and of all Europeans. Onesided declarations, regardless of their form, about the boundary question are not sufficient. The need here is for precise obligations—impeccable from the standpoint of international law—that, together with other guarantees, confirm the final character of the German state's borders and its unconditional renunciation of all manner of territorial claims. All this, together with the definition of Germany's military-political status, must in our opinion be articulated in a peace treaty or its equivalent, which for the Soviet Union and its allies is of the greatest importance and should evidently draw the last line under the past war and remove the so-called "German question" from the agenda of international life once and for all time.



Its most correct resolution from the standpoint of the commonly recognized norms of international law is the peace treaty. Quadrilateral decrees obligate us to draw it up. The reference is to the conclusion of such a treaty with a unified Germany both in agreements of three Western powers with the FRG and of the Soviet Union with the GDR.

The present verbal tightrope-walking of some West German politicians creates the impression that the Germans are hopeful of achieving unification, of freeing themselves from quadripartite jurisdiction, but of avoiding a full-fledged peace settlement [*mirnoye uregulirovaniye*] in the process. Such a position and mode of action hardly seem justified and easy to realize. Without a peace settlement, there can be no legal or other grounds for raising the question of the rights of the four victorious powers, to say nothing of their termination.

The third important point is what the real military potential of a unified Germany, its military doctrine, and the structure of its armed forces will be. The question arises of establishing a ceiling for its army on the basis of rational sufficiency for defense purposes.<sup>5</sup> It seems to us that these questions could be examined in the course of negotiations of countries participating in the all-European process, but initially within the framework of the Vienna dialogue to reduce conventional weapons and armed forces in Europe. And unified Germany's renunciation of the production, possession and disposition of mass destruction weapons must unquestionably be recorded in treaty form.

#### A "Great" Germany? Why not?

Beyond any doubt, the unification of Germany will be accompanied by the emergence of a mighty new pole of power that even now keenly excites many experts in both West and East. It is sufficient to cite certain data on the Federal Republic of Germany to illustrate the present situation.

At the end of 1981, the Federal Republic had the world's largest gold reserves (\$46.1 billion), whereas the USA and Japan, which had approximately \$28 billion each, found themselves in third place, after Saudi Arabia whose reserves numbered \$34.2 billion.<sup>6</sup> In the mid-'80s, the leading position went to Japan, but as early as 1988 the world leadership in the volume of hard currency reserves was once again regained by the FRG which had actually doubled them in 7 years, increasing them to the sum of \$80.8 billion.

There was also a similar regrouping of forces in the area of exports. According to an International Monetary Fund report, in 1986 the overall value of FRG exports for the first time exceeded the value of U.S. exports, which were \$243.3 billion and \$217 billion, respectively. The positive balance of West German foreign trade was \$52 billion which placed the country in second place in the world after Japan with regard to this indicator. Since that time, the Federal Republic has continued to retain its leadership in world commodity exports. Its share is 12

percent (USA—10.3 percent, Japan—9.5 percent, France—5.8 percent, Great Britain—5.3 percent, and Italy—4.5 percent).<sup>7</sup> Almost all European partners have a negative foreign trade balance with the FRG.

What is more, the real growth of the Federal Republic's gross national product in 1989 was 4 percent while its exports increased by 10 percent. The FRG's emergence as one of the leaders is primarily the result of its production of science-intensive products which account for 54 percent of the nation's exports. For the first time, in the past decade the FRG succeeded in surpassing Japan in science-intensive products, accounting for 20.6 percent of world trade in this area (Japan—19.9 percent). The FRG also occupies a leading place in the production of products with the highest technological complexity; the FRG presently accounts for 22.6 percent and Japan—22.1 percent of world trade.<sup>8</sup>

As regards the German Democratic Republic, without going into detail, it is sufficient to say that it is also one of the ten major industrially developed countries in the world.

Simple calculations show that a unified Germany would have a human potential of 78.1 million persons (second place in Western Europe continues to belong to Italy—57.4 million persons); its gross social product in 1988 prices would total \$1433 billion (France is in second place with \$947 billion); in territory it would yield only to France and Spain.<sup>9</sup>

Taking the economic might of the Federal Republic into account, specialists agree that the process of bringing the GDR up to the economic level of the FRG, of saturating the market with goods and services, and of raising the population's living standard will take from 5 to 10 years. However if we are to be more precise, we are really talking about the absorption and dissolution of the GDR economy by the stronger West German organism. The foreign indebtedness of the GDR, estimated at \$18.5 billion on the basis of updated information, has no basic significance since the "German policy" of the ruling circles in Bonn has for many years been, first, to concentrate their neighbor's bills of exchange [*platezhnyye veksel'ya*] in their hands and, second, to intensively develop communications, transport, economic, cultural, and other relations with the GDR, which in itself makes it possible to speak of the existence of a solid material base for a rapid merger of economic structures and hence for political unification. What is more, Bonn has already allocated 1 billion marks in aid to the GDR and has announced its willingness to present the GDR with 6 billion marks initially.

In the course of negotiations in Bonn between FRG Chancellor H. Kohl and H. Modrow, chairman of the GDR Council of Ministers, on 13-14 February, it was decided to form a joint commission to prepare for the establishment of an FRG-GDR economic and currency union that should act as a catalyst for unification processes. On the banks of the Rhine, the minting of coins

and emission of West German banknotes depicting heroes from Dührer canvases, that are to replace the mark of the German Democratic Republic, are in full swing. In this connection, they are talking about a sum of 50 billion marks. It is necessary to be a realist: even though the conversion to a single currency will entail torturous pain and shocks for the GDR, it will not present any great difficulty to the West German side which has the experience of carrying out a separate monetary reform in June 1948. Its main task will be to properly digest everything obtained within an acceptable period of time.

Our assessments may possibly be too sharp, but not to make them is to be like an ostrich that gives the appearance of not seeing and not wanting to notice anything. But would it have been possible to predict the election results in the GDR People's Chamber on 18 March of this year? The Christian Democratic Union received 40.9 percent of the votes. To this it is also necessary to add 6.3 percent that were cast for the German Social Union, and 0.9 percent that were cast for the Democratic Breakthrough; all of them are united in the Union for Germany that was formed in February 1990 with the direct participation of West Germany's ruling CDU/CSU alliance and Chancellor Kohl personally. The Social Democratic Party received 21.8 percent of the votes. The Democratic Socialist Party received 16.3 percent of the votes cast by citizens of the GDR. Thus, out of the 400 seats in the People's Chamber, 163 went to representatives of the Christian Democratic Union, 25 to the German Social Union, 4 to the Democratic Breakthrough, 88 to the Social Democratic Party of Germany, and 66 to the Democratic Socialist Party. A total of 192 conservatives received credentials as deputies.

Did the election results in the People's Chamber come as a surprise to people in on the know? Yes, because by analogy with the West German Social Democratic Party of Germany, which is now on the rise and has traditionally enjoyed popularity and sympathy among the GDR population, there were many who had counted on the Social Democrats to win. They did not—for many reasons.

First, because under the conditions of really free elections, the working people of the GDR obviously distanced themselves from Stalin-type socialism based on administrative-command principles, rigid planning, and centralization. In the eyes of the country's population, it was the conservatives who personified the most consistent advocacy of this distancing.

Second, the conservative parties owed part of their impressive victory to the fact that they had made the unification of the two German states the focal point of their election campaign, that they had depicted it as the only way out of the GDR's political and economic crisis. Was it by chance that the conservative forces chose Union for Germany as the form of their alliance?

Third, no small part was played by the very fact of the consolidation of the Christian democratic parties. It should be added to this that the GDR's Christian Democratic Union, in comparison with the Socialist Democratic Party of Germany, the Democratic Socialist Party and others that are essentially newcomers in the arena of political struggle, had a seasoned, well-organized party mechanism that only needed abundant lubrication and external pressure to get it operating at full capacity. The events in October of last year were this external impetus; the lubrication took the form of generous aid from kindred parties in the FRG.

Fourth, we must not underestimate the direct material and propagandistic support for the conservative bloc's election campaign from the West German CDU and CSU, which the Soviet Union assessed as nothing other than direct intervention in the internal affairs of the German Democratic Republic. Not by chance were the election results characterized in the FRG mass media as a "great personal victory for Helmut Kohl." As regards material aid, 20 million West German marks were spent through various channels on the election campaign in the GDR.

And finally it should be remembered that the choice made by GDR voters was in large measure dictated by the example of the practical implementation of the political course of Bonn's CDU/CSU bloc that brought tangible economic benefits to the population of the FRG notwithstanding the high stable level of unemployment (approximately 2 million persons annually). It was a case of what could be called "electoral extrapolation," in other words, GDR voters comparing and imposing West German living conditions on their own reality.

The election results removed the last doubts that the unification process is irreversible. Let us be realists. The majority of the population of the GDR voted to build a "German home" under terms that were long ago set forth in Bonn's official "German policy": a market economy and political pluralism of the Western type. Fully stocked counters proved to be more appealing than hackneyed socialist slogans which, while not filled with material content, were drummed into the heads of the working people and dogmatically used whether appropriate or not, lost their original meaning and were thrown on the roadside of history like empty nutshells. Time will show how justified their choice was. In any event, there will be many who will hardly be pleased with the elimination of the social benefits and advantages the German Democratic Republic won in the 40 years of its existence compared with the FRG.

And so the road to a unified Germany is open. The question is will it again be a "great Germany"? Why not? But it will not be a return to the Germany some would like to see in the borders of 1937 and 1938. Nor will it be a return to the Germany of song that stretched from the "Meuse to the Memel" whose "greatness" was measured in territories taken from other peoples. It will be a Germany which, finally recognizing the results of World

War II and properly understanding European civilization, will do its utmost to make it flourish. After all, true greatness consists in the general human essence and orientation of state policy, in its spiritual, cultural, economic, and scientific-technical potential that must serve the mutual enrichment of the peoples in our big European home. Speaking in the words of Professor N. Molchanov, the famous Soviet historian, "today it is not nuclear weapons that make us a great power, but rather our economic well-being, cultural level, educational system, health care system, and living standard. When we define the influence of the state, the dominant factor should not be military power, but entirely different indicators. Economic might was previously measured in tons of coal, oil, pig iron, and steel. This is already obsolete. The present indicator is information and technological level. Another indicator is the number of diplomas—quality diplomas, naturally. The quantity of 'gray cerebral matter.' This is the level of the future."<sup>10</sup>

#### For a Sober, Gradual Approach

Everyone knows the saying that haste is primarily good in catching fleas. However the unrestrained euphoria of the Germans regarding the unification of Germany appears to have drowned out the voice of reason and provokes them to excessively hasty, ill-conceived actions that are difficult to justify from the standpoint of real, reasoned policy.

The inter-German rapprochement and all the more so German unity are a problem that affects not only the Germans. The German question is an integral part of the context of European and world realities, and any movements in it must take the interests of other countries and the lessons of history into account. The line of forced destruction of the GDR's state and constitutional foundations would now be rash.

Europeans, who are well aware that the existence of two German states was for decades a significant stabilizing element on the continent, require clarity and determinacy in German affairs. First of all, [they need assurance that] unification excludes any possibility of a new threat to them from German soil. Only if they are certain of this and only if they possess the appropriate guarantees will they accept and support the processes that are taking place. There is hardly anyone who would like to change the division of the German nation for something that is still worse—a unified Germany with an unpredictable policy. But even if conditions that are pleasing to everyone for resolving the German question are provided and are not accompanied by the disorganization of the foundations of stability and security on the continent, it will naturally still take time for Europeans to become practically convinced that the unification of the GDR and the FRG presents no danger. It is necessary to make haste slowly on the German question without interrupting the natural course of events.

In a talk with PRAVDA correspondents, G. Gyz, chairman of the Socialist Democratic Party noted that

the "unification of the two German states is a historical process. It can be artificially inhibited or accelerated, but it cannot be turned back. But this means that it must be controlled so that it will proceed gradually, step by step."<sup>11</sup> In this regard, great significance is acquired by the question of the clear-cut and uninterrupted work of six states within the framework of the agreed-upon formula of 2 + 4.

The work of the "six," and the Soviet Union is ready for constructive cooperation, is called upon to synthesize lawful interests and the positions of all participants in the German peace settlement. Within the framework of the "six," a balance will have to be struck between the right of Germans to self-determination and the responsibility of four powers in respect to Germany as a whole and the alarm that is generated among Europeans by the prospect of a unified German state formation.

It would be unconditionally correct to work jointly to see to it that the "six" substantively discusses the entire aggregate of the external aspects of the building of German unity as soon as possible. There is no time to lose because events will not arrange themselves around us. If we do not wish to be confronted with a *fait accompli*, the work of the "six" must not lag behind the dynamics of the GDR-FRG rapprochement. Otherwise, this work itself would be substantially devalued and development in German affairs would become uncontrollable.

In the existing situation, it is of significant importance to coordinate the construction of the "German home" with the general European process. No one doubts that this is an urgent task. But at the same time, it is important to agree on what we actually mean by "synchronization" and how to realize it in practice. The "six" is as yet not only an entirely suitable institution; today it is also the only institution that could examine the question of synchronization from the standpoint of time and substance. The more firmly the inter-German rapprochement is woven into the fabric of all-European development, the better it will be for the GDR and the FRG. This problem could occupy a substantial place within the framework of the CSCE, in particular the summit meeting at the end of 1990. Both German states, as full-fledged participants in CSCE have thereby been given the opportunity to confirm in fact the rejection of a certain "special German road," to demonstrate their responsible attitude toward interests and the concerns of all other European states, as well as the willingness to search for a constructive solution to all questions and problems. This is the real road to ensure the Germans' movement toward unity without cataclysms, without the violation of equilibrium in Europe and in the world, without threatening their neighbors.

Speaking of the need for a gradual approach, the Soviet side does not intend in any way to impede the construction of Germany unity, but on the other hand, does not see rational arguments in favor of its artificial acceleration in some way. The unification of Germany must be



preceded by a transition period. This is dictated by the entire preceding course of history (incidentally, it is not by chance that West German ruling circles in their official pronouncements have already moved unification from 1990 up to 1991). And it is not so simple to abolish instantaneously the results of 40 years of development on German soil or to solve just as fast the problems that it poses. Movement toward German unity should not pressure anyone because of time.

It will take time to secure the lawful interests of all European states in connection with the emergence of a strong, unified Germany in the central part of the continent.

It will take time for the peoples of Europe, including the peoples of the Soviet Union, that were the principal victims of Hitler's aggression, to adapt to this new turn in the German question.

It will also take time for the Germans themselves to place the state system that has formed within an ordered framework on a truly democratic basis. Attempts to bring about unification in a different way, through power pressure, only intensified fears about what the policy of unified Germany will actually be like in both an easterly and westerly direction.

#### Footnotes

1. "Vizit Generalnogo sekretarya TsK KPSS, Predsedatelya Verkhovnogo Soveta SSSR M. S. Gorbacheva v FRG 12-15 iyunya 1989 g. Dokumenty i materialy" [The Visit of M. S. Gorbachev, general secretary of the CPSU Central Committee; chairman of the USSR Supreme Soviet, to the FRG on 12-15 June 1989. Documents and Materials]. Moscow, 1989, pp 32-33.

2. DER STERN, No 9, 1990, pp 35-36.

3. PRAVDA, 21 February 1990.

4. Ibid., 12 January 1990.

5. The data of a FRG public opinion poll are curious in this regard. West German citizens answered the question "should the size of the Bundeswehr and the GDR National People's Army be preserved or reduced after the unification of the two German states?" as follows (in percent):

Bundeswehr	National People's Army	
should be eliminated	18	38
should be reduced	51	38
should remain at the previous level	23	12
don't know	8	12

Source: DER STERN, No 9, 1990, p 34.

6. AUS POLITIK UND ZEITGESCHICHTE, No 13, 1983, p 25.

7. FRANKFURTER RUNDSCHAU, 12 September 1988.

8. PRAVDA, 2 March 1990.

9. SÜDDEUTSCHE ZEITUNG, 21/22 November 1989.

10. LITERATURNAYA GAZETA, 29 June 1988.

11. PRAVDA, 8 March 1990.

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#### New Logic of European Development

90440013C Moscow MIROVAYA EKONOMIKA I MEZHIDUNARODNYE OTNOSHENIYA in Russian No 6, Jun 90 (signed to press 15 May 90) pp 18-29

[Article by Sergey Viktorovich Smolnikov, candidate of economic sciences and senior instructor at Moscow State Institute of International Relations, USSR Ministry of Foreign Affairs]

[Text] There is every reason to believe that key international strategic, political, and economic interests are connected with Europe today and that this will continue to be the case in the foreseeable future. The eastern and western halves of the continent have been engulfed by a wave of sweeping reforms as they enter the 1990s. The collapse of the totalitarian social and economic structure in the East European countries has been accompanied by the radical restructuring of the economy on a market basis and the reinforcement of the principles of parliamentary pluralism and democracy in politics. In Western Europe the national economies are moving toward a unified market, currency, and economic structure. There is a real possibility that a political union of the federated type will take shape within the framework of the European Community in the foreseeable future.

It is interesting that the Europe of the 1990s is displaying some signs of a gradual return to the pre-war international-political structure. The external similarity of the European structure which is taking shape today to the pre-war model is the result of the following factors: the prospect of a unified German state, the autonomization (political and economic) of Central and Eastern Europe in relation to the Soviet Union; the economic dissociation of the USSR from most of the European economies; the existence of political and socioeconomic prerequisites for dangerous displays of nationalism in some European countries; the erosion of the influence of the traditional leading powers in Europe; the crisis of existing political alliances and the need to establish new security structures and safeguards.

Of course, all of these factors have some conditional features. Present-day Europe is different in many respects from pre-war Europe in the economic and political sense. The processes in Europe today testify to



the end of the postwar period and to the resumption of the natural historical evolutionary development of the continent.

Common economic and political interests are drawing the western and eastern halves of the continent into a special type of European structure. Although the ideas about this structure are just beginning to acquire the form of a balanced theory (for example, the Europe of "concentric circles" of Chairman J. Delors of the Commission of the European Communities or F. Mitterand's "European confederation"), we can safely assume that the new model of the international European structure is already taking shape on the old continent.

#### EC—Center of the "Eurostructure"

The basic parameters and principles of the functioning of this model stem from the European Community. As a result of extraordinary integration measures within the EC framework, it is becoming the center of gravity for other European countries—both in the West and in the East. This tendency is reflected, for example, in the creation of a sweeping integrated market zone in the western half of the continent, the European economic area taking in the countries of the community and the European Free Trade Association.

Questions of foreign policy, including foreign trade policy, will remain outside the framework of this agreement, but an essentially unprecedented degree of unity will be achieved in the economic sense in Western Europe. It will require the establishment of certain common politico-legal structures for the entire new "super-union."

Closer integration with the EFTA, four of the members of which adhere to the principles of neutrality, is certain to influence "European construction" within the community framework, but in spite of the common opinion that the EC will have to move more slowly toward a political alliance, we feel that this influence will have the opposite effect. It is more likely that some of the supranational acts of the community will be extended to the EFTA and that the autonomy of the members will gradually be eroded in some areas that were the exclusive domain of national governments.

It is probable that the conflict between the neutrality of 5 of the 18 members of the "super-union" and the membership of the rest in the North Atlantic bloc will be averted through the development of another tendency. This is the tendency toward fundamental changes in East-West relations with the end of the "cold war" era. Although the institutions it engendered—NATO and the Warsaw Pact—are still the key elements of the European security system, it would be impossible to overlook the fundamental changes in the system itself and its basic components.

First of all, there has been a gradual transition from the military-political nature of these alliances to a politico-military or political nature. This has reduced the importance of the military factor of security and increased the importance of other factors—political, economic, and ecological. On the political level, Europe is gradually moving toward the creation of all-European security structures. The very patterns of confrontation on politico-ideological grounds are becoming largely hypothetical. The de-ideologization of intergovernmental relations, accompanied by the de-Stalinization of the internal socioeconomic structures of East European countries, will make the division of Europe into two different parts senseless.

What is, for example, the fundamental difference between the "Swedish" economic and political model and the socioeconomic structures that are being established today in some East European states? Understandably, the internal processes in these countries are having a profound effect on more than just their own foreign policy theories. The transformation of social consciousness which began in the eastern half of the continent is now bringing about serious positive changes in the sociopolitical thinking of its western neighbors.

If all of the European countries can be guided by common humanistic values, and if all of their economic systems can be based on compatible market principles, it is possible that the European Community will eventually play the role of the economic basis of relations among all countries of the continent.

At this time, it is certainly too early to ask whether all of the European states will become full-fledged members of the EC. In the near future it is most probable that the majority of countries on the continent will be included in the European economic area, but it is also possible that Hungary and Poland, and perhaps even Czechoslovakia, might try to join the community in the 1990s—if not as "100-percent members," then at least as associate members.

This economic and political convergence of the countries of the continent is changing the very essence of intergovernmental relations here dramatically. These changes are affecting all of the basic elements of the European system, including security issues. In relation to the outside world, Europe is acting like a single entity, and not like a geographic term signifying a group of politically and economically different units. The economic interdependence of national states has reached the point at which it simply excludes the very possibility of settling disputes between them by force. The prospect of the creation of unified international and supranational institutional structures on an economic foundation common to all Europeans is gradually becoming more distinct.

Whereas the community can serve as the center of gravity of the emerging European structure in the economic sense, the countries of the continent still have to develop a unifying mechanism in the sphere of politics

and security. The ideas of, for example, the Polish or Belgian governments about the creation of a permanent organization of the countries party to the Conference on Security and Cooperation in Europe, allowing for continuous political dialogue, warrant consideration in this context. Islamic fundamentalism, the acute problems of the Third World, terrorism, drug addiction, the ecological crisis and, finally, the AIDS epidemic—all of these are factors in the consolidation of the eastern and western halves of the European continent. They represent a much more tangible threat to European security than the military confrontations between NATO and the Warsaw Pact. The need to adapt to the new facts of international life will lead to the modification of these two organizations in the 1990s and might even turn them into coinciding European structures.

### The German Factor

The issue of German unification is acquiring special importance. It should be examined from two vantage points—political and world economic. For completely understandable historical and psychological reasons, however, excessively emotional and biased forecasts are frequently substituted for serious analyses of all the possible international consequences of this process in various European countries. The forecasts stem primarily from alarmist feelings. Some people have asserted, for example, that a united Germany will deal with its European neighbors only from a position of strength, that it will turn into a new "superpower" and will begin trying to "control" Europe, etc. People in Paris and London, for example, are afraid that the role of certain European states, such as France and Great Britain, will be seriously diminished in the 1990s.

The Germans' partners in the EC feel that Germany's continued commitment to the ideals of "European construction" is quite uncertain. Will the Europeans be able to continue counting on Germany's financial and economic potential and political acquiescence when the plans for the economic, currency, and political unions are being carried out?

People in Eastern and Western Europe believe that a united Germany is certain to demand a new distribution of roles and functions in European and world politics. According to some European politicians, this new distribution could affect the territorial and political status quo in Europe. The official Soviet position, which is known to have undergone quite radical changes (from the declarations that the issue of unification "is not on the agenda" to the recognition of the Germans' right of self-determination), is that the creation of a united German state should be conditional upon its move to a neutral position.

This view, however, evinces an underestimation of the fact that German neutrality would essentially signify the restoration of German military-political autonomy. This is one side of the matter. The other side is that the European policy of the USSR is still being viewed within

the context of the notorious "balance of power." According to this line of reasoning, the balance of power in Europe depends on the FRG's membership in the North Atlantic alliance and the GDR's membership in the Warsaw Pact. If the whole united Germany should become a member of NATO, the balance of power, according to this line of reasoning, will be destroyed. It is difficult, however, to agree that the "balance of power" in the Europe of the 1990s differs little from what it was 40 years ago.

According to the traditional point of view, the military strength of the two blocs should be approximately equal in the quantitative sense. This forces them to refrain from armed conflicts. Today, however, there is a completely different understanding of the reasons for the impossibility of this kind of conflict. It is no longer a matter of one side having more weapons of a specific type, but of weapons with certain qualitative features precluding their use in principle. From this vantage point, is it so important how many countries belong to NATO and the Warsaw Pact as long as the United States and the USSR are still members of different blocs?

In view of all the arguments over the future political status of the unified Germany, the most reasonable and acceptable option for all of the parties concerned would entail the inclusion of East Germany only in the political structure of NATO and the maintenance of a Soviet military contingent on its territory for the agreed upon period, as H.D. Genscher suggested, for example. This seems to be more realistic and farsighted than other options. On the objective level, we must admit that Germany's membership in a politico-military alliance with other Western states is preferable to its neutral military-political autonomy from the standpoint of the long-term interests of peace and security in Europe.

We must not forget that the tendency toward numerical reduction in the West German Bundeswehr is occurring within the NATO framework, and there is no objective reason to believe that the parliament of the future united Germany will go against the allies and promote a defense buildup in the absence of a real military threat. Furthermore, if the future unified Germany is part of the North Atlantic structure, it will be more vulnerable in the strategic and economic sense to any deterioration of East-West relations and will therefore have the strongest restraining and sobering influence on the policies of this bloc.

There is no need to explain how important it will be for German foreign policy to continue to be coordinated with the policies and strategies of other leading Western countries—the United States, France, and Great Britain. If, on the other hand, the Germans are artificially excluded from the Western alliance, they might sense some kind of international political discrimination, and this would be extremely dangerous in itself in view of past history.

We know that the next few years will be marked by the perceptible enhancement of Germany's international role and the growth of its economic and political influence, especially in Europe. Nevertheless, this does not necessarily mean that the German state will become a "superpower" in the traditional sense of the term—a country with superior military potential. It is true that some analysts associate Germany's achievement of even the status of an economic "superpower" in economic with the revival of revanchist tendencies in its foreign policy.

It appears, however, that this prediction is based more on known biases than on an objective assessment of the current situation. We must not forget that the present level of Germany's economic development is incomparable to the level in the pre-war "Third Reich." Today the FRG is the most prosperous state in Europe, with no

reason for the kind of socioeconomic dissatisfaction that made the rise of the National Socialists to power possible.

On the other hand, the degree to which the German economy has been integrated or "built into" the European market system and the world economy as a whole objectively gave this country a vital interest in maintaining European and international stability and peace.

For this reason, the Germans will influence European affairs through other—non-military—channels. The dimensions, dynamics, and distinctive features of the German economy, its level of development, and its solid monetary position will play a special role. Today the West German mark is one of the key currencies in the world and the cornerstone of the ecu and the future "Eurocurrency," and the Bank of Germany is the basis of the community's planned European Central Bank. The data in Table 1 illustrate the united Germany's position in relation to today's world leaders—the United States, the USSR, and Japan.

Table 1. Some Economic Features of the United States, the USSR, Japan, and a United Germany\*

Countries	Per capita GNP (thousands of dollars)	Exports (billions of dollars)	Balance of trade (billions of dollars)	Number of motor vehicles per 1,000 inhabitants
United States	19.8	321.6	-108.0**	572
USSR	8.8	110.6	3.3	42
Japan	14.3	264.9	77.5	235
United Germany	14.0	354.1	80.0**	376

\* 1988.

\*\* 1989.

Source: NEWSWEEK, 26 February 1990, pp 11-14.

A sizable portion of West Germany's investment resources will be used for the reconstruction of the East German economy for some time, but the FRG has enough financial and technological potential to continue playing the key role in the economic development of Western Europe in the 1990s. According to existing forecasts, when the united Germany attains its economic goals, it will become an even stronger economic unit with tremendous production-technical, financial, and technological potential. Experts have estimated that the rate of development of the German economy in the 1990s will be around 1.5 times as high as the U.S. rate.<sup>1</sup> After the gigantic liberalized market zone has been established in the unified internal market of Europe by 1993, Germany's influence in Europe, particularly Eastern Europe, will be stronger, more extensive and, what is most important, more positive than ever before. Under these conditions, the German economic standard (the highest on the continent) will have every chance of becoming the general European model of production and the quality of life.

#### East European Prospects

If we examine contemporary European development from the standpoint of the sociohistorical tendencies of

the 20th century, we must admit that the political and economic model of the eastern half of the continent was not viable because it did not meet the needs of the efficient development of productive forces, the effective satisfaction of public demand, or the stimulation of scientific and technical progress. In essence, it was a stagnant model, and the patterns of its functioning were largely identical to the pre-capitalist patterns.

The absence of a market, the artificial deterrence of private enterprise, the overcentralized state control of the economy, and the irrational tax policies were a "good match" with the monopolization of power by a single political party and the omnipotence of the bureaucracy in the absence of parliamentary democracy. Although economic reforms were instituted in several East European countries in the 1960s and 1970s, they were inconsistent and half-hearted. What is more, they were not accompanied by any significant changes in political structures. The postwar history of Eastern Europe proves that there is no viable alternative to a market and the free development of different forms of ownership in the economy and to democratic pluralism in politics.

The processes of renewal in the eastern half of the continent, accompanied by the EC-sponsored creation of a broad European integration zone, had the most serious



implications in the world economy. When regional productive forces were no longer restrained by ideological dogma or national-state barriers, they acquired a fundamentally different quality and dynamic. The combined

GNP of East Germany, Hungary, and Czechoslovakia, for example, already exceeds the PRC indicator. The countries of Eastern Europe were rated by FORTUNE, the American magazine (see Table 2).

Table 2. Economic Positions of East European Countries

		GNP			FORTUNE rating (15-point scale)		
Country	Population (millions)	Total (billions of dollars)	Per capita (thousands of dollars)	Average annual increase over 8 years (%)	Economic potential	Receptivity to foreign investment	Speed of reforms
Most promising							
East Germany	16.6	155.4	9.4	1.8	14	7	8
Czechoslovakia	15.6	118.6	7.6	1.3	12	11	7
Hungary	10.6	68.9	6.5	1.0	11	14	14
Promising							
Poland	38.0	210.5	5.5	0.7	9	14	14
Least promising							
Bulgaria	9.0	50.7	5.6	1.2	8	11	9
Yugoslavia	23.6	115.6	4.9	1.2	8	10	10
Romania*	23.0	94.8	4.1	0.0	6	7	2
Albania	3.1	—	—	—	4	2	2

\* Prior to fall of Ceausescu regime.

Source: FORTUNE, December 1989, pp 84-85.

From the standpoint of European and East European prospects, the success of the reforms in the countries of Eastern Europe is exceptionally important. Poland is an extremely indicative and educative example. After the Polish economy had been driven to the verge of collapse by the authoritarian system, it experienced a rebirth as a result of radical reform. Within a relatively short period of time, the Masowiecki government was able to make significant changes for the better by means of a purposeful program for the establishment of a market system.

First of all, the market was quickly filled with consumer goods, and in a variety Poland had never seen before in its entire history. This was followed by the dramatic augmentation of the effectiveness of production. The cancellation of state subsidies for unprofitable enterprises and the encouragement of free competition gave enterprises a direct interest in improving product quality, augmenting productivity, and raising the profit margin. Besides this, labor discipline grew stronger and people's attitudes toward work changed. In addition, the rate of inflation was lowered dramatically.

Poland's experience with reforms proves that at least three conditions are essential for the restoration of the economy and the establishment of market relations. The first is the society's willingness to agree to a slightly lower level of real income and to extend its trust to the government. The second is the existence of a precise government program of economic recovery. The third is economic-organizational and financial assistance from

international financial institutions in the West, commercial groups, and private individuals.<sup>2</sup>

Without going into the details of the programs which were carried out in Poland and several other East European countries, we can say that all of them envisage the following basic measures. Above all, the lifting of price controls, the reduction or complete elimination of subsidies, and the opening of the economy for world economic ties. This must be followed by the elimination of restrictions on commercial activity and the stimulation of this activity by eliminating the highest tax rates. The next step is the elimination of restrictions in international trade and domestic investment. The final measure is the privatization of some state enterprises, the cancellation of the tax privileges, subsidies, and credit advantages of other state enterprises, the elimination of foreign loans underwritten by the central government, the institution of antitrust legislation, and the closure of enterprises operating at a loss.<sup>3</sup>

Therefore, the main condition for the radical restructuring of the East European national economies is the determination of their parliaments and governments to move from the distribution system based on directives (essentially a natural economy) to the commercial market that has proved to be so viable and effective. In addition, adequate and timely financial and economic assistance from the West will play an important role.

The European Bank for Reconstruction and Development, established on the initiative of the European



Community, has plans for the extension of credit to East European countries and the investment of capital in their economies.<sup>4</sup> Because the market mechanism in these economies is actually ready to accept this assistance now (in contrast to, for instance, the 1970s and 1980s), we can expect the same kind of economic revival in Eastern Europe in the 1990s as the West European economies experienced in the 1950s and 1960s as a result of the American Marshall Plan.

The combination of bold internal reforms and large foreign investments should turn Eastern Europe into an effective and appealing sector of the world economy. Its reintegration into the world economy, primarily the European economy, will change the production, technological, and investment parameters of the old continent considerably. According to Western businessmen, "the opening of Eastern Europe could be even more significant than the move to a unified (European—S.S.) market."<sup>5</sup>

Calculations of the potential of the "Euromarket" within the EC framework indicate that the total GNP of the 12 community countries will increase by 11-35 percent on the average in the 1990s.<sup>6</sup> The addition of the economies of all of the countries of the continent, including the EFTA and Eastern Europe, would most probably have an even greater impact. European products will be much more competitive and European scientific and technological potential will be much greater. It is of fundamental importance that the highest national industrial and economic standards and methods of organizing production as a result of free competition be established as the common unconditional standards for all of Europe.

The East European countries which are able to rebuild their economies on the basis of market principles will have favorable opportunities for integration with their West European neighbors. It is possible that new regional structures, such as free trade zones or other economic and political associations, might be formed in, for example, central Europe. Various options are being considered at this time, including the possibility of agreements among Austria, Yugoslavia, Italy, Hungary, Czechoslovakia, and Poland, or the formation of smaller groups—for example, Hungarian-Austrian-Yugoslav.

Events in the USSR have been among the factors objectively stimulating the convergence of the East European countries with their Western neighbors. During the current dramatic stage, the Soviet Union is more likely to have a repelling effect than to be a magnetic force in the European structure. It is completely obvious that the state of the domestic economy and of socioeconomic conditions in the USSR will not allow it to perform the functions of an economic locomotive in CEMA, comparable, for example, to the functions West Germany is performing in the community. Although uninterrupted Soviet deliveries of energy resources and raw materials are still of vital importance to the economies of the East European countries, and although certain branches of

Soviet industry still depend on parts and components from Hungary, the GDR, Czechoslovakia, and other states in the eastern half of the European continent, the interdependence of the partners is largely artificial.

It is clear that when the market model takes the place of the bureaucratized model of interrelations, the expediency of retaining the forms and scales of economic ties unchanged could be quite uncertain. When the ideological factor is removed from the relations between the economies of the USSR and the East European countries, extra-economic considerations will give way to sound commercial calculations, the consideration of technological advantages, etc.

From this standpoint, there will be no doubt whatsoever that contacts with technically and economically more advanced partners will be preferable. This realization could curtail USSR-Eastern Europe economic relations at first and shift the emphasis to foreign economic ties with West European countries. If the move to a market economy is made successfully in the East European countries and the USSR, however, their objective interest in trade and economic interaction with one another will increase dramatically. Everything will depend on how quickly this "if" can be materialized.

#### An Equation with Many Unknown Quantities

The Soviet Union is probably the most complex and least predictable element of the new European structure. The processes in this country are extremely complex and sometimes contradictory. On the one hand, the country's top leadership is clearly interested in getting rid of the obsolete totalitarian and bureaucratic structure and accomplishing the democratization of society and the radical improvement of the economic situation. On the other hand, the road is blocked by numerous obstacles, and some of these were erected during the perestroika years.

The legislative acts regulating the basic economic principles of the activities of society and the individual (laws on cooperatives, leases, property ownership, and land) are an indisputable advance, but they are nevertheless only partial measures and are excessively ideologized. An analysis of these indicates that they are the product of a compromise between conservative and radical groups and, as such, they are incapable of constituting the "critical mass" needed for the radical transformation of society.

As a result, the economic incentives and mechanisms which had proved effective in the industrialized countries, including ownership of the land, the labor market, free enterprise, the right to hire manpower, low tax rates, free pricing, and the cancellation of regulations governing economic activity have not been part of the current economic reform.

It is no coincidence that many foreign economists who have analyzed developments in the USSR believe that the current government program cannot bring about

economic recovery and cannot even alleviate the crisis to any significant extent. According to some Soviet economists, the domestic economy has not even reached the lowest point of the crisis yet. Meanwhile, the development of the internal political and economic situation in the majority of republics and regions in the country suggests that the actual, and now even legal, dismantling of earlier politico-ideological structures will be accompanied by significant changes in the approach to economic reform.

If the Soviet society develops along the same patterns as the East European countries, this will produce fundamentally different possibilities for the economic and political development of our country and of Europe in general. One fact, however, is of major significance. Although the Soviet Union appears to be a single political and economic entity, it is far from homogeneous.

For several historical, cultural, and economic reasons, some Soviet republics and regions are much closer to the "European" model of socioeconomic development than others. Above all, this applies to the Baltic republics and the European half of Russia, with Moscow and Leningrad in the lead. If the increasing need for a transition to this model is inhibited by the unitarian structure of the union, the tendency toward the political disintegration of the state will be difficult to surmount. It cannot be stopped by any new governmental mechanisms, including the recently created institution of the presidency.

It goes without saying that the USSR is still a major factor in European and world politics if only on the strength of its military-political characteristics, but the effects of this factor will not necessarily be positive. The dissatisfaction of large segments of the population with their socioeconomic status and of different nationalities with their current political and legal status could eventually set off a powerful political explosion with unpredictable global consequences.

We must not allow political autonomization in the USSR to take uncivilized and violent forms after escaping the control of the central government. This is why the conclusion of a new union agreement and the improvement of the mechanism for the secession of republics from the union are essential conditions for the stabilization of the domestic political situation in the USSR. It is also important, however, that changes in the territorial-state structure of the USSR be accompanied by the creation of the economic and political prerequisites for the inclusion of existing and self-determined structures in the new European integrated system.

Therefore, the period of transition from the unitarian structure and authoritarian system to a treaty-based union and a market system, a period which the Soviet Union appears to have entered at the start of perestroika, could give rise to new states in Eastern Europe with medium-sized or small economies. This, in turn,

could give rise to new regional associations with some degree of emphasis on economic ties in the broader European context.

It is possible, for example, that Sweden could head a new Baltic economic group. The inclusion of the Baltic republic economies in intensive economic exchange with neighboring European countries will be accompanied by a flow of capital investments into potentially competitive sectors of these economies. In combination with their adequately skilled but relatively cheap manpower, the limited size of their national markets could turn them into export-producing countries like the "new industrial nations" of Asia. It is obvious that economic reforms here could have a significant impact on the nature and content of the European structure.

The Soviet Union and Germany, for example, will have a chance to create an economic zone stretching from the Rhine to the Urals. The zone could be the site of the development of many promising forms of economic relations, including free economic zones and joint commercial and banking ventures. The close intermeshing of Soviet and German economic potential would transform the economic image of the old continent and, in our opinion, would be the best contribution to European security.

We must remember, however, that the "juncture" of the domestic economy with the German one will only be possible when market principles and free enterprise are established in the USSR. This will necessitate the complete elimination of the dogmatic approach to economics, including the notorious thesis that socialism is certain to be "undermined" by the removal of restrictions on private ownership and the authorization of the free hiring of manpower.

One of the most complex issues in European development in the next few years will be the effects of these tendencies on the political stability of the continent. We must admit that the achievement of governmental and political autonomy by some Soviet republics and the intensification of centrifugal tendencies in the relations between the USSR and the East European countries will make radical changes in the European security system that has been in existence for the whole postwar period. In essence, the paternalistic security system, in which the main guarantors of peace in Europe were the USSR on one side and the United States on the other, will be replaced by a fundamentally different system.

The main structural element of the new European system will be the new complex of economic relations among all European countries. The European Community will be the main link, but the coordination of the unification of the two Germanys with the process of "European construction" will be vitally important to the stability and future development of the EC itself. It is of fundamental importance that the unification of Germany not slow down the economic and political unification of the

European Community. Only Germany's complete participation in the unified economic and political structure of the community will serve as a reliable guarantee of European stability and security.

The present period of transition from one type of European equilibrium to another is undeniably fraught with difficulty and uncertainty. Full stops and some steps backward in the process of democratic reform in the East could be accompanied by unexpected outbursts of nationalism in the East and also in the West (although in a different form, of course). In any case, however, the new dramatic reversals in European history might provide some indication of its main vector. For at least the first half of this century, Europe was the scene of fierce competition between Germany and Russia for the right to determine the nature and content of the European structure.

On the threshold of the new era, the political and military competition has given way to economic cooperation and a joint search for the optimal patterns of economic and social organization. It will be important to direct national ambitions into peaceful and nonviolent channels. The sweeping integration of all European nationalities without exception in a single market zone will establish the main prerequisites for the transformation of Europe into a stable, peaceful, and prosperous community of countries and nationalities. The best guarantee against national hegemony is the establishment of a new political and economic order in which all nationalities will have a chance to exchange the fruits of their labor and talent on the basis of the principles of freedom and democracy and with the aid of time-tested economic incentives.

#### Footnotes

1. NEWSWEEK, 26 February 1990, p 11.
2. Harvard University Professor J. Sachs, economic adviser to the Polish Government, played a special role in drawing up the program for the Polish economy's transition to the market principles of operation.
3. For more detail, see THE ECONOMIST, 13 January 1990, pp 19-24.
4. The bank has 10 billion ecu in primary reserves, 51 percent of which were contributed by the European Community.
5. FORTUNE, December 1989, p 83.
6. THE ECONOMIST, 18 November 1989, p 81.

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#### USSR - U.S.- PRC Relations and Some Tendencies in International Development

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MEZHDUNARODNYYE OTNOSHENIYA in Russian  
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[Article by Nadezhda Georgiyevna Fedulova, candidate of historical sciences and senior scientific associate at Institute of World Economy and International Relations, USSR Academy of Sciences]

[Text] The postwar history of international relations, which has been marked in general by the fierce confrontations between the opposed coalitions of states headed by the Soviet Union and the United States, has also witnessed brief periods of detente, such as those in the late 1950s and early 1970s, but the relaxation of tension was a result of a change in the balance of power, primarily military power, in favor of the USSR and its allies and was largely due to the attempts of the two sides to gain some time for the continued buildup of military strength. The livelier mutual contacts were not used for the purpose of stopping the arms race, but essentially for the purpose of coming to an agreement on the "rules" of this race.

In the middle of the 1980s the situation changed. The resumption of East-West dialogue occurred at a time when the USSR's economic and international political influence had grown weaker. The logic of confrontational thinking would seem to have demanded that the leaders of the capitalist nations continue "exhausting" the opponent. Nevertheless, a sensible appraisal of the realities of the nuclear age motivated them to respond to the Soviet appeal for the joint establishment of an international peace based on the priority of common human interests. For the first time, the Soviet-American talks on disarmament led to the actual reduction, however modest, of weapons of mass destruction. The conclusion that "in spite of the profound differences between the social systems, each acquired objective opportunities to enter a fundamentally new and peaceful period in the history of mankind" seems natural in this context.

In our opinion, the relative reduction of the role of conflicts between the systems is also confirmed by the serious structural changes in intergovernmental relations in connection with the changes in the relations between the leading world powers—the Soviet Union, the United States, and China. Furthermore, China is becoming a genuinely independent and increasingly significant participant in this trilateral system. In view of the fact that the interrelations of these states have the most direct effect on global politics, an analysis of their transformation and a description of their present status will also allow us to draw some conclusions with regard to general trends in world development.

#### I

A decade ago, the alignment of forces among the USSR, United States, and PRC conformed completely to the



"bipolar" map of the world and was unfavorable on the whole for Soviet foreign policy. The heightened tension in American-Soviet and Chinese-Soviet relations on the one hand, and the gradual development of American-Chinese dialogue on the other, were enough to signify a relative decline in the USSR's political and diplomatic influence. Furthermore, this process was compounded by the coinciding foreign policy interests of the leaders of the United States and PRC and their similar views on several issues in world politics, evincing a clear desire to establish what is known as a "strategic relationship"<sup>2</sup> and to oppose the Soviet Union together.

Washington and Beijing accused the USSR of building up its military strength in the Far Eastern regions of the Soviet Union, including the deployment of SS-20 missiles there, of accelerating the development of the Pacific Fleet, of occupying Afghanistan, etc. The American and Chinese leaders discussed the creation of a "united international front" for the purpose of isolating and "containing" the USSR. Beijing declared that the U.S. military presence and the American-Japanese "security treaty" played a stabilizing role in the Asian Pacific. At the same time, China refused to renew the treaty on friendship, alliance, and mutual assistance with the USSR (it expired on 14 February 1980), which specifically stipulated joint action against the possible repetition of Japanese aggression.

The establishment of diplomatic relations between the United States and China in January 1979 was followed by the intensification of their trade, economic, scientific, and military-technical contacts. At the same time, American-Soviet contacts were reduced abruptly (the United States instituted economic sanctions against the USSR and demanded that Japan and the NATO countries take similar action), and Chinese-Soviet contacts remained purely symbolic.

The Soviet Union was extremely disturbed by the U.S. rapprochement with China and reacted to the new alignment of political forces in the world by building up its military strength and tried to win as many developing states as possible over to its own side by pursuing a more active policy in various parts of the Third World. This raised the level of USSR confrontation with the United States and with China, and this, in turn, escalated international tension and precluded the attainment of the desired advantages.

There were obvious reasons for the Soviet Union's apprehension with regard to the possibility of close U.S. interaction with China. Throughout the 1970s anti-Sovietism had been an extremely important factor, although not the only one, stimulating the normalization and development of American-Chinese relations. Besides this, the Soviet side was distinguished by an inclination to exaggerate the importance of centripetal tendencies in American-Chinese relations and to misinterpret Chinese foreign policy. Beijing's anti-Sovietism was viewed, first of all, as a long-term strategy and, second, as evidence of antisocialism (this was the reason

for the references to the category of "countries of real socialism," from which the PRC was excluded). On this basis, China was declared an accomplice and tool of imperialism. This point of view was reflected in references to Chinese foreign policy in official publications and in numerous works by Soviet researchers in the late 1970s and early 1980s.<sup>3</sup>

Later the relations among the three leading world powers underwent extremely significant changes, and the first signs of the regrouping of forces within the "triangle" were seen at the beginning of the 1980s and were connected with the evolution of China's views. The country chose to conduct an "independent foreign policy," signifying a departure from the Chinese leadership's insistence on relations of the coalition type (the "strategic relationship") with the United States. This was recorded in the resolutions of the 12th CCP Congress in 1982.

On the surface, the reasons for Beijing's abrupt reversal seem to be the PRC-U.S. disagreements over Taiwan at the start of the Reagan administration, but the "Taiwan problem" was only a reflection of the deeper differences dividing the two states. Beijing interpreted the U.S. position on Taiwan as a display of power politics and tyranny. The main watershed of U.S.-Chinese disagreements seems to have been the geopolitical position of the two powers, which allowed each to claim a special role in international affairs. The differences in their social structures and the absence of strong economic interdependence compounded the U.S.-PRC confrontations stemming from their geopolitical positions.

In view of the objective nature of the American-Chinese conflicts and the PRC's military, economic, and technological weakness in comparison with America, the Chinese leadership must have realized that association with the United States and its allies would be tantamount to its consent to play the role of a "junior partner" and would lead unavoidably to the loss of foreign policy autonomy. The role of an accomplice in carrying out Washington's strategic plans was absolutely unacceptable to China. Furthermore, a United States which was too strong and a consequently weaker USSR were not compatible with China's long-term interests. The Chinese leadership never forgot that the United States, as one of the leading nuclear powers, posed a potential threat to China's security. This was the reason for its pointedly negative reaction to the SDI program, which would have nullified the effectiveness of the Chinese nuclear deterrent.

Therefore, anti-Sovietism could not serve as a permanent cementing factor and stimulus in Chinese-American relations. Washington's policy of "playing the China card" was destined to fail. China began moving toward a neutral position on the behavior of the sides



involved in the global military and political confrontation. The categorization of the USSR as the "number-one enemy" was replaced by the references to the equal responsibility of the "two superpowers" for the tension in the world.

The reversal in Chinese foreign policy strategy appears to have been connected with the Chinese leadership's new assessment of the U.S.-USSR balance of power, which had shifted perceptibly in America's favor at the beginning of the 1980s. The obvious signs of socioeconomic crisis in the Soviet Union, the growing technological gap between the USSR and the industrially developed states, and the erosion of the USSR's international political position as a result of several rash foreign policy actions were viewed by the Chinese side as a reduction of the "threat from the north." This is why the establishment of a "strategic relationship" with the United States lost its appeal to Beijing.

Articles in the Chinese press began criticizing the United States for taking a "clearly offensive position" against the Soviet Union "in some spheres and some parts of the world."<sup>4</sup> At the same time, China agreed to talks with the Soviet Union, although it made the normalization of bilateral relations conditional upon the Soviet side's satisfaction of three demands: the withdrawal of the Soviet military contingent from Afghanistan, the cessation of military-technical aid to Vietnam, and the removal of Soviet troops from the Soviet territories bordering on China.

When Beijing established contact with the USSR at the beginning of the 1980s, it was less interested in the dramatic improvement of Chinese-Soviet relations than in "balancing" its own foreign policy, which had been slanted enough to weaken China's position in dialogue with the United States. "China wants to develop normal relations with all countries, including the United States and the Soviet Union, on the basis of the five principles of peaceful coexistence," Zhao Ziyang stressed when he addressed the deputies of the French National Assembly in June 1984.<sup>5</sup> A year later in Washington, then PRC Chairman Li Xiannian stated in the most definite terms that Beijing had no intention of establishing a strategic relationship with any great power.

As for the United States, its alliance with the "eastern giant" seemed to be a difficult and largely unpredictable process. American ruling circles never stopped regarding China as a potentially hostile opponent of the Western world and, above all, as a "communist country" with which close ties would be dangerous and undesirable. Nevertheless, at least until 1983 or 1984, Washington based its policy toward China on the assumption that the absence of a bilateral "strategic relationship" could encourage the normalization of Chinese-Soviet ties, which was something it did not want. In the middle of the last decade, however, the American point of view began undergoing definite changes.

First of all, Washington became convinced that China's independent foreign policy would exclude military-political alliance with the Western countries and the Eastern countries. Besides this, Washington believed that China would be more interested in developing commercial relations with the capitalist world, which would require the maintenance of the appropriate level of political relations with the United States and other Western countries. Furthermore, because of its geopolitical position, the United States posed less of a threat to China than the Soviet Union did. Finally, the United States and the PRC agreed on several Asian issues.

On the basis of these considerations, American strategists concluded that the possible improvement of Chinese-Soviet relations would not have a negative effect on the United States and its allies in Asia, especially if this improvement took place on China's terms. When George Bush, then the vice president of the United States, went to China in October 1985, he supported the improvement of relations between the PRC and USSR, but he also stressed that it was "completely unthinkable that these communist superpowers could ever form an alliance identical to the one they had in the 1950s."<sup>6</sup>

In this way, by the middle of the last decade, it was obvious that the relations between China and the United States were not the coalition type of relationship. They did not have an anti-Soviet thrust, although the "Soviet factor" was scrupulously taken into account by both sides in their interaction with one another.

Friendly relations with China allowed the United States to concentrate on military confrontation with the USSR. The U.S. ambassador in China, W. Lord, put it this way: "There is no question that the fact that we no longer have to direct our forces against China simplifies our containment of the Soviet Union, but we no longer want an alliance with China, and China does not want one with us." People in Beijing felt that friendly relations with the United States gave China a chance to reduce the "threat from the north," urge the Soviet Union to normalize relations on China's terms and, what was most important, intensify the expansion of trade, economic, financial, scientific, and technical cooperation with the West.

The volume of American-Chinese trade grew each year, with the exception of 1982 and 1983, rising from 1.1 billion dollars in 1978 to 13 billion in 1988. The structure of this trade also changed. By the middle of the 1980s China was able to satisfy most of its own need for food and to begin importing more investment goods. More than half of the American exports to China now consist of industrial equipment and transport vehicles, and there is a higher percentage of high-technology items among these exports. During the same period, imports of grain from America decreased substantially, from 30-35 percent of all Chinese imports from the United States at the beginning of the decade to only 1 percent in 1986. American capital became more active in the PRC. In 1988 American investments in 350 joint ventures

amounted to 1.7 billion dollars. This was accompanied by broader scientific and technical cooperation (including cooperation in nuclear power engineering), student and teacher exchanges, cultural contacts, etc.

The creation of an atmosphere of trust in Chinese-American relations was also promoted by military-technical cooperation (sales of American military technology and of some types of weapons and materiel and assistance in the construction of defense industry enterprises). This cooperation, however, is extremely limited in the qualitative and quantitative sense and does not play a significant role in the establishment of China's military potential.

The successful development of trade and economic ties with the United States and other capitalist countries led to more intense participation by China in international division of labor. The country became a member of international financial organizations—the IMF, the IBRD, and the Asian Development Bank. A relationship of economic interdependence is gradually taking shape between the PRC and its Western partners, and we feel that this will become one of the main factors stabilizing and reinforcing their political relations. The United States' participation in the "modernization" of China, according to Georgetown University Professor of International Relations T. Robinson, will help to prevent the same kind of "dangerous isolation" of this state that existed in the 1950s and 1960s.<sup>8</sup>

The Chinese leadership's hope of using the material resources of developed capitalist countries in order to carry out reforms in China and the consequent unavoidable openness to the Western world are giving rise to conflicting sociopolitical developments within the country. The arousal of civic awareness, the desire for the quickest possible democratization of public life, and the political inexperience of the radical segment of the Chinese population led to mass anti-government demonstrations in spring 1989 with a tragic finale.

The measures the PRC leadership took to suppress the "rebellion" evoked exceptionally negative reactions in Washington. The U.S. Congress condemned the actions of the Chinese Government and announced the institution of sanctions. A similar position was taken by the leaders of the seven main capitalist countries at a conference in Paris in July 1989. Beijing viewed these measures as interference in its internal affairs and as an attempt to exert pressure from outside and to restrict its sovereignty.

The institution of economic sanctions against the PRC naturally slowed down the development of commercial cooperation with the Western world. According to the estimates of American observers, however, this did not affect the existing foreign companies earning a profit in China. The Chinese leaders announced that the line of economic reform and the "open door" policy would not undergo any changes and that the government would guarantee the safety of foreign investments.

The present exacerbation of American-Chinese relations is another indication that disagreements which are the ultimate result of differences in social systems and state interests are unavoidable in principle. In recent years, however, people in Washington and Beijing have acknowledged the objective nature of existing conflicts and have agreed to display political tolerance for one another. This approach will most probably prevail again. China's interest in developing relations with the West is self-evident. As for the United States, the abrupt curtailment of relations with the PRC at a time of Chinese-Soviet normalization would weaken America's political and diplomatic positions. The extremely diverse and extensive ties that have taken shape between the two states in the last decade are another important factor, and they seem to be acquiring self-propelling properties.

In general, in our opinion, the tendency toward the erosion of the bases of the military and political confrontation that was characteristic of U.S.-PRC relations in the 1970s and especially in the 1980s, will continue to be the prevailing trend. If this tendency is to contribute to the creation of a genuinely secure world, however, it will have to be reinforced by cardinal improvements in Soviet-American and Soviet-Chinese relations.

## II

Whereas the most perceptible attempts at changes in the relations among the USSR, United States, and PRC were made by China at the beginning of the 1980s, since spring 1985 the main factor has been the foreign policy of the Soviet Union, permeated by the new political thinking and pursued more actively in all areas. Furthermore, its role as a factor generating positive changes within the "triangular relationship" is still growing.

At this time there seems to be some basis for the conclusion that the Soviet Union was able to neutralize the dangerous earlier tendency toward the progressive escalation of tension in relations with the United States. The signing of the treaty on the elimination of intermediate- and shorter-range missiles was made possible mainly by the willingness of the Soviet side to consider its partner's interests and to agree to reasonable compromises. This event might become not only a turning point in the history of Soviet-American relations, but also a transition to a fundamentally different method of international communication in general.

The elimination of the intermediate- and shorter-range missiles located in the Asian part of the USSR and within U.S. territory in accordance with the treaty will change the strategic situation in the Far East considerably and will have the most direct effect on the relations among the three leading world powers. The reduction of strategic offensive arms by 50 percent and the possible agreement on the limitation of nuclear tests will be other steps in the same direction.

The development of positive changes in the USSR-U.S.-PRC "triangle" will also be promoted by the Soviet side's unilateral measures based on the principle of

reasonable sufficiency—the reduction of armed forces personnel by 500,000 men, of the military budget by 14 percent, and of weapons production by 20 percent, the elimination of chemical weapons, the cessation of the production of highly enriched uranium for military purposes, and the dismantling of the Krasnoyarsk radar station.

The Soviet Union's actions to alleviate tension in Asia and the Pacific are becoming an important factor influencing the triangular relationship. For example, the withdrawal of Soviet troops from Afghanistan and the USSR's efforts to normalize the state of affairs in Indochina by means of a political solution to the Cambodian problem have led to a situation in which Washington and Beijing now, in contrast to the late 1970s and early 1980s, have virtually ceased to regard USSR policy in these regions as a direct threat to their own military-political interests. The ships of the Soviet Pacific Fleet were reduced by 57 vessels between 1984 and 1989. The U.S. command, however, is still deploying submarine-launched missiles in the region, accumulating nuclear weapons, and planning the establishment of an American military installation in Singapore. In essence, Washington has refused to discuss the possibility of military detente in the Pacific.

Throughout the postwar period the United States' military policy in the Asian-Pacific zone had the primary aim of "containing communism." The fear of possible Soviet expansion in a zone of extensive American interests still exists. Apparently, a lower level of confrontation in this part of the world will depend largely on the ability of the USSR to take the realities of today's world fully into account and to observe a balance of interests in its foreign policy practices. The positive changes, which could even be called revolutionary, in this area are self-evident, but earlier ideas still constitute a heavy burden. The implementation of the principle of reasonable sufficiency in defense, for example, will require, in our opinion, the revision of the parameters and scales of the Soviet military presence in the Pacific and Indian oceans. It seems anachronistic to keep the technical maintenance station for the Soviet Navy in Cam Ranh Bay and other military installations on SRV territory.

When the earlier Soviet leadership established support points in Indochina, it was trying to guarantee broader scope for naval activity in the Pacific and Indian oceans with the aim of establishing military-strategic parity with the United States in these areas, but the USSR was unable to counter the American military forces stationed here with equivalent military strength. Things never went beyond the symbolic presence of the Soviet Navy in Southeast Asia, which could not give the Soviet Union any military-strategic advantages but did seriously weaken its international position and put an additional burden on its economy.

The statement M.S. Gorbachev made in Krasnoyarsk—that the USSR was willing to give up its naval technical maintenance station in Vietnam if the United States

would give up its military bases in the Philippines—attests to a definite change in the Soviet position. Nevertheless, it would have been difficult to expect a positive response from Washington because, in its opinion, this would be a "non-equivalent exchange." The Pentagon regards the bases in the Philippines as an extremely important link of the American presence in the Asian-Pacific zone, and giving them up would have entailed the revision of the entire Western military-political system in this part of the world. The United States is still not ready to do this.

The elimination of Soviet military installations in Vietnam on a unilateral basis, however, would not hurt the USSR's security, and the political advantages of this move would be substantial: There would be no basis whatsoever for speculation on the "Soviet military threat," the Asian and Pacific states would gain stronger trust in Soviet policy, and their ruling circles would undergo a corresponding reduction of interest in the military presence of the United States. We can assume that the next renewal of the American-Philippine agreement on bases would be extremely problematic. It is even possible that Washington might feel the need to revise its "base strategy" after encountering the new situation in the region.

Nevertheless, the results of USSR-U.S. dialogue on disarmament issues already indicate the growing improvement of Soviet-American relations. Moreover, in some spheres of international politics there has been a move from mutual understanding to interaction, particularly in the conclusion of an international convention on the complete prohibition and elimination of chemical weapons, the political settlement of several regional conflicts, the resolution of ecological problems, etc. Furthermore, it seems to us that one of the chief aims of G. Bush's unofficial meeting with M.S. Gorbachev in Malta was a demonstration of Washington's intention not to take advantage of the possible erosion of Soviet military positions in connection with the turbulent internal political events in the East European countries, and not to disrupt the existing balance of power.

There have been important shifts in American public opinion and in the political thinking of the people involved to some extent in making U.S. foreign policy. Many Americans have ceased to view the Soviet Union as a force hostile to the United States and the whole Western world.

Fundamental positive changes in the nature of Soviet-Chinese relations are also apparent. Border questions and other bilateral issues began to be discussed in 1982. Besides this, the PRC leadership was quite persistent in stressing that the Chinese "open-door policy" presupposed broader trade and economic ties not only with the capitalist states, but also with all other countries, including the USSR and the states of Eastern Europe. These changes, however, were of a primarily symbolic nature and were intended to demonstrate the "independence and autonomy" of China's foreign policy line. At



that time the Chinese leadership was not striving for the actual normalization of relations with the USSR. This was the reason for the protracted nature of the previously mentioned talks.

After the CPSU Central Committee plenum in April 1985, the Soviet Union made a greater effort to give the development of Soviet-Chinese relations the necessary speed and dynamism. After expressing its interest in broader ties with the PRC, the Soviet side began the 70-percent reduction of its troops in Mongolia and announced its willingness to conduct talks with China on the reduction of the level of military confrontation near the Soviet-Chinese border. The USSR is reducing its military personnel in the eastern and southern regions of the country by 200,000 and 60,000 men respectively, in line with the program M.S. Gorbachev announced in December 1988 in the United Nations. The complete withdrawal of the Soviet military contingent from Afghanistan served Beijing as important confirmation of the peaceful intentions of the Soviet Union. The Chinese side has also reduced its armed forces on a unilateral basis.

All of this stimulated significant changes in the intergovernmental relations of the two countries. The talks on border questions were more constructive after they were resumed in 1987. Political contacts were maintained at a higher level, reflected in the exchange of visits by foreign ministers and the agreement on regular meetings of the heads of diplomatic agencies.

M.S. Gorbachev's trip to China in May 1989 symbolized the complete normalization of Soviet-Chinese relations. Now there is a chance to move from unilateral steps in the sphere of military detente to balanced troop reductions. An agreement on the guiding principles of mutual armed forces reduction and confidence-building measures in the military sphere near the Soviet-Chinese border was signed when Premier Li Peng of the PRC State Council visited the USSR this April.

There are also some points in common in the two countries' approaches to regional security issues. The Soviet Union and China agreed to help in the political settlement of the Indochinese conflict, and this facilitated the complete withdrawal of Vietnamese troops from Cambodia. All of this is laying the foundation for significant positive changes in the Asian-Pacific region and the rest of the world.

Even as recently as 1946 and 1987, American analysts could not conceive of Soviet policy changes that would be radical enough to eliminate the "three obstacles" Beijing had pointed out to the normalization of Soviet-Chinese relations. When R. Scalapino believed that the Soviet leadership was afraid of the possible formation of a strategic coalition by China, the United States, Japan, and South Korea, he said that the USSR would not, under any circumstances, reduce its armed forces near the PRC border.<sup>10</sup> Actual events, however, refuted the

basic premises of the recent line of reasoning of American political scientists. In the present revolutionary era, the method of forecasting by means of the simple extrapolation of existing tendencies is groundless. These forecasts have become obsolete before our very eyes.

The gradual development of relations between the Soviet Union and China was reflected in the substantial growth of trade and the expansion of exchanges in other areas. In June 1988 an agreement was signed on the formation of joint ventures and the development of direct ties between republics, krais, and oblasts in the USSR and provinces and autonomous regions in the PRC. Now the two countries are discussing cooperation in nuclear power engineering, particularly the purchase of Soviet nuclear power plants by China, and in the peaceful use of outer space. The intensification of bilateral ties will be promoted by the long-range program the heads of the two governments approved in April 1990 for the development of economic, scientific, and technical cooperation between the USSR and PRC.

The changes in China's approach to issues of war and peace, international stability, and disarmament in the past decade were instrumental in the improvement of Soviet-Chinese relations. After condemning the SDI program, the PRC officially announced its willingness to take an active part in the preparation of an international agreement on the non-militarization of space. China has not conducted any nuclear tests in the atmosphere since 1986. In the same way as the Soviet Union, it pledged no first use of nuclear weapons, consented to be a guarantor of the Rarotonga Treaty, envisaging the creation of a nuclear-free zone in the South Pacific, and advocated the elimination of foreign military bases in Asia and the Pacific. The PRC Foreign Ministry expressed its official approval of the signing of the INF Treaty by the USSR and United States.

The common views of the Soviet Union and China on several key international issues could lead to parallel action in the world arena, but the possibility of establishing a "strategic relationship," not to mention ally relations, seems doubtful at this time. There are several reasons for this.

The independent and autonomous policy the PRC has announced presupposes the preservation of a certain distance in relations with the Western countries, especially the United States, and in relations with the Soviet Union. The development of dialogue between the USSR and China following the period of alienation and confrontation was made possible only by the concrete initiatives of the Soviet side, stemming from the objective need for peaceful cooperation by the two neighboring great powers, and by the fact that the CPSU and Soviet Government took the views and attitudes of the Chinese leadership into consideration when they formulated the principles of interrelations with China. The main principle is that the normalization of relations between two socialist countries can be accomplished on the intergovernmental level and does not necessarily require the

restoration of inter-party ties. Recent articles in the Chinese press have expressed approval of the USSR's acknowledgement of the "special conditions and interests" of each socialist state and its reaffirmation of the absolute right of each state to choose its own pattern of internal development. No communist party has a monopoly on the truth. These postulates are of fundamental importance to China. In the 1950s the CCP's dissatisfaction with a subordinate or secondary role in the world communist movement led to disagreements with the CPSU, and these had a negative effect on Chinese-Soviet intergovernmental relations.

Now the situation has changed. The two states are willing to base their relationship on the principles of peaceful coexistence, guided by their common desire to reduce the threat of outside danger so that their fears of one another will not divert them from the resolution of internal problems. When the Chinese party leadership learned that the CPSU was not trying to prescribe the methods of building socialism, there was the possibility that the process of Chinese-Soviet normalization might include inter-party ties. This was recorded in the joint Soviet-Chinese communique of 18 May 1989.

This is laying the foundation for broad-scale and long-term Chinese rapprochement with the Soviet Union. During the preparations for the Soviet-Chinese summit meeting, however, it became clear that Beijing feels it is exceptionally important that the complete normalization of bilateral ties not jeopardize relations with third countries, especially the United States—i.e., not undermine its efforts to pursue an independent and autonomous foreign policy. The mutual understanding on this matter appears to be one of the most important conditions of Soviet-Chinese normalization.

By the same token, the USSR does not want Washington to view the improvement of Soviet-Chinese relations as an alternative to Soviet-American dialogue, but as part of a single process of the relaxation of tension. In the second half of the last decade it became common knowledge in the American political and academic communities that positive changes in the nature of Chinese-Soviet relations could take place and were taking place without jeopardizing U.S. interests.<sup>11</sup> At the same time, there is also the opinion that close military ties between the United States and China would put America in an inconvenient position by destabilizing its relations with the Soviet Union.<sup>12</sup>

### III

For the last decade and a half, Western political scientists have used the term "strategic triangle" in reference to the relationship of the USSR, United States, and PRC. In spite of external similarities, this term does not coincide with the idea of the "strategic relationship." The "strategic triangle" is an objective phenomenon and does not depend on the foreign policy aims of any of the three states. Even when relations between the United States and the PRC have been devoid of anti-Sovietism,

the "Soviet factor" has been present and has even played a significant role throughout postwar history. By the same token, the "American factor" is an invariable part of Soviet-Chinese relations and has influenced them greatly. In turn, the "Chinese factor" is given thorough consideration in USSR-U.S. interaction in the broad global context.

The interdependence of the behavior of the three states justifies the use of the term "triangle," and the adjective "strategic" indicates the special importance of this group of relations in world politics. According to American political scientists B. Garret and B. Glaser, "the trilateral strategic relationship is based on the continuing strategic reality that influences the views and policies of leaders in Washington, Beijing, and Moscow."<sup>13</sup>

A subjective assessment of the objective balance of power in the "strategic triangle" by the leadership of one side could motivate it to establish a "strategic relationship" with one of the two other states with the aim of weakening the international political position of the third side, which the leadership perceives as posing the greatest threat. Some examples of this are the Soviet-Chinese alliance which was concluded in 1950 and was directed primarily against the United States, and the American-Chinese rapprochement in the late 1970s and early 1980s, which was largely triggered by a desire for collective opposition to the USSR. The absence of a "strategic relationship," however, does not cause the disappearance of the "strategic triangle."

By the middle of the 1980s the positions of all three states had undergone radical changes, consisting essentially in the realization that the establishment of close bilateral relations at the expense of the third power (or without any consideration for its interests) would not guarantee reliable security and would disrupt the equilibrium in the "triangle." The present alignment of forces among the USSR, the United States, and the PRC is the first in postwar history in which no side in the trilateral relationship has any fear that the two other sides are planning to unite against it.<sup>14</sup> The improvement of Soviet-American and Soviet-Chinese relations has not led to the corresponding deterioration of American-Chinese relations, and the development of ties between the United States and PRC is not directed against the Soviet Union. The mutual connections in each link of the trilateral system are not jeopardizing the interests of any other link. Furthermore, this is no longer a matter of the equidistance of these states from one another, which would lead to a "balance of terror," but of increasingly broad cooperation by these states—i.e., the rapprochement of all of the links of the trilateral system. In our opinion, this is an objective prerequisite of international stability in the vast Asian-Pacific region and in the world arena as a whole and will create favorable conditions for the struggle for regional and worldwide security and disarmament.

Under these new conditions, the states associated with the United States had an opportunity to develop mutually beneficial ties with the PRC and with the USSR without taking the risk of arousing Washington's displeasure. Soviet-Chinese normalization is stimulating political dialogue between China and the countries in friendly relationships with the Soviet Union. This is attested to by the Chinese-Indian summit meeting, the resumption of official contacts between Beijing and Hanoi, and the improvement of Chinese-Mongolian and Chinese-Lao relations. The de-ideologization of international relations has also been reflected in the establishment of ties between the socialist countries and Seoul. In some cases the ties have already reached the official diplomatic level.

These signs of the disappearance of the group alienation of states, even if they are not completely distinct yet, indicate an emerging tendency toward the liberalization of international relations and the replacement of confrontation with the search for a balance of interests and for mutually beneficial cooperation by all states with all other states. It is significant, however, that this tendency is not a fatal inevitability and is only one possible pattern of social development. The survival of humanity will depend on the ability of the members of the international community to make use of this possibility.

On the basis of similar conceptual approaches (the new political thinking and the creation of the new international political order), the leaders of the Soviet Union and China are now pursuing a policy—in parallel actions, independent of one another—aimed specifically at the demilitarization of international relations. As for official Washington, the tenacity of confrontational thinking, the pressure exerted by the military-industrial complex, the mistrust of the potential adversary and, what is particularly important, the uncertainty that the present changes in the Soviet and Chinese societies are irreversible, are impeding its active inclusion in this process.<sup>11</sup> This is the reason for the American leadership's continued adherence to the doctrine of nuclear deterrence. The United States, just as some other Western countries, objected to the resolution the UN General Assembly passed on 7 December 1987 on the "comprehensive system of international peace and security," based on the Soviet theory of comprehensive security, envisaging its maintenance by peaceful political means on an equal basis and in all spheres of international relations. The Bush administration did not support the Warsaw Pact states' proposal on the elimination of tactical nuclear weapons in Europe. It was the new U.S. President's caution that was the reason for the "pause" in relations with the USSR during the initial period of his term in office.

Radical changes in the position of the United States and other capitalist powers on problems in East-West relations will depend ultimately on the ability of the two socialist giants—the USSR and the PRC—to become full-fledged participants in international division of labor, with all of the ensuing political consequences.

Disparities in the socioeconomic development of countries belonging to different social systems inevitably reproduce military-political conflicts and ideological intolerance, which then spreads to the sphere of inter-governmental relations. This, in turn, intensifies the conflicts.

Peaceful coexistence is not simply the exchange of peaceful gestures, and it is not mere cooperation, even if this is cooperation in extremely important spheres of international life—disarmament, the settlement of regional conflicts, space exploration, global ecological programs, etc. Peaceful coexistence is co-development, leading to profound socioeconomic interdependence and mutual enrichment in the broadest sense of the term. The perestroika in the USSR and the reforms in China should lay the basis for the co-development of these countries with the industrially developed states. "Our economic reform," M.S. Gorbachev said, "presupposes the deeper involvement of the USSR in the world economy and is evidently capable of promoting the establishment of a genuine world market."<sup>12</sup> The future of the world, as several people have pointed out, will depend on the results of the socioeconomic and internal political reforms in the Soviet and Chinese societies.

The present process of actual disarmament and the alleviation of international tension are creating favorable initial opportunities for broad and productive cooperation between the East and the West, but if these opportunities are missed and if co-development does not take place, the world is bound to return to a state of fierce confrontation. Only the co-development of the countries belonging to different social systems can make genuinely thorough nuclear disarmament possible, especially the radical reduction of Soviet and American strategic offensive arms, followed by the reduction of Chinese arms. It is obvious that the inevitable result of this reduction will be the equalization of the strategic potential of all members of the "nuclear club," including England and France. This course of events would mark the end of the bipolar structure of international relations, where the competition between the two military "superpowers" still occupies the central place. Even in this case, however, it will be a long time before the complete elimination of nuclear weapons, not to mention the creation of a non-violent world, will be possible.

It will be exceptionally difficult to harmonize East-West relations. Nevertheless, we feel that this will be easier—obviously, as long as the present tendencies in Soviet and Chinese policy continue—than harmonizing North-South relations. The instability of the sociopolitical structures in some young emerging states and their inability to cope with hunger, poverty, disease, and the remaining traces of neocolonial exploitation create the potential for conflicts in different parts of the developing world, which frequently take the form of armed clashes and protracted devastating wars.



It is obvious that only concerted effort by the USSR, the United States, China, and their allies can produce satisfactory results in the creation of the new international economic order and the resolution of problems in the developing world. As long as the Third World is plagued by international political instability and, consequently, by the threat of nuclear proliferation, however, the states possessing these weapons will not be able to give them up completely.

Mankind cannot cross the line at which its genuine history will begin until it has surmounted the divisions commonly referred to as "East-West" and "North-South." Great powers, such as the USSR, the United States, and China, will have a colossal role to play in the establishment of the new world.

#### Footnotes

1. PRAVDA, 31 May 1989.
2. When American political scientists use this term in reference to the United States and China, they are describing a relationship in which the two countries strengthen one another's position in relation to the USSR and form a counterbalance to it (R. Scalapino, "Major Power Relations in Northeast Asia," Lanham-New York-London, 1987, pp xvi, 30).
3. See, for example: "Beijing: A Reserve of Imperialism Yesterday, and Its Ally Today," KOMMUNIST, No 4, 1979, pp 71-84.
4. BEIJING REVIEW, 27 February 1984, pp 27-29.
5. Ibid., 18 June 1984, p 4.
6. NEWSWEEK, 28 October 1985, p 33.
7. THE DEPARTMENT OF STATE BULLETIN, September 1986, p 51.
8. CURRENT HISTORY, September 1985, p 241.
9. Besides this, the decision not to use these military installations would optimize USSR relations with Vietnam. It is probably time for the cardinal revision of the present model of relations with allies, based on the new political thinking and with a view to the present state of the USSR economy.
10. R. Scalapino, Op. cit., p 58.
11. S. Goldstein and F. Mathews, "Sino-American Relations After Normalization," New York, 1986, p 23.
12. CURRENT HISTORY, September 1986, p 278.
13. B. Garret and B. Glaser, "War and Peace: The Views from Moscow and Beijing," Berkeley, 1984, p 5.
14. In the 1950s the United States believed that the USSR's alliance with the PRC was a threat to America. In the 1960s and 1970s China was afraid that detente in Soviet-American relations would undermine its international position. In the 1970s, and especially at the

beginning of the next decade, the Soviet Union was seriously disturbed by the possibility of even an informal alliance of the PRC with the United States and other imperialist powers. At the beginning of the 1980s Washington was troubled by the USSR-PRC talks, which, in its opinion, could have led to the restoration of the anti-American coalition of these two powers.

15. Some extremely influential groups in the United States, however, have optimistic views of future socio-economic development in China and the USSR. In their opinion, the officially announced 30-percent reduction in military expenditures by 1995 is a guarantee of a "peaceful" and healthy economy in the Soviet Union (FORTUNE, 3 August 1989, pp 73-74).

16. PRAVDA, 8 April 1989.

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#### Joint Communiqué of ROK DLP and IMEMO

904M0013E Moscow MIROVAYA EKONOMIKA I  
MEZHDUNARODNYYE OTNOSHENIYA in Russian  
No 6, Jun 90 (signed to press 15 May 90) pp 56-58

[Joint communiqué of Democratic Liberal Party of Republic of Korea and Institute of World Economy and International Relations, USSR Academy of Sciences, signed by DLP Chairman Kim Young Sam and IMEMO Director V. Martynov on 26 March 1990; unofficial translation of original English document; passages in italics as published]

[Excerpts] *A delegation from the Republic of Korea, headed by Mr. Kim Young Sam, visited our country for the second time as guests of the IMEMO [Institute of World Economy and International Relations], USSR Academy of Sciences. Whereas last June Mr. Kim Young Sam was here as the leader of the opposition Democratic Unification Party, this time he arrived in Moscow as the co-chairman of the ruling Democratic Liberal Party (DLP). The political changes in South Korea and the prospects for bilateral relations between the USSR and the Republic of Korea have been the topic of debates in the institute. Of course, the visit was not confined to purely academic discussions. It included meetings and talks with top-level party and government leaders of the USSR, including an unofficial meeting with President M.S. Gorbachev of the USSR.*

[passage omitted] *A delegation representing the Democratic Liberal Party (DLP) of the Republic of Korea, headed by DLP co-Chairman Kim Young Sam, was in the USSR from 20 to 27 March 1990 as the guests of the Institute of World Economy and International Relations of the USSR Academy of Sciences. The delegates included Minister of State Park Chul Un.*

During the visit DLP Chairman Kim Young Sam had meetings and talks with top-level party and government

leaders of the USSR, including members of the USSR Presidential Council A. Yakovlev and Ye. Primakov, First Deputy Chief of the International Department of the CPSU Central Committee K. Brutents, Deputy Chairman of the USSR Council of Ministers N. Laverov, Deputy Chairman of the USSR Council of Ministers S. Sitaryan, and Chairman of the Committee on Foreign Affairs of the USSR Supreme Soviet A. Dzasokhov.

Chairman Kim Young Sam of the DLP also had meetings with prominent members of the scientific and business communities, local government officials, and cultural spokesmen, including President G. Marchuk of the USSR Academy of Sciences, Chairman V. Tereshkova of the Union of Soviet Societies for Friendship and Cultural Relations with Foreign Countries, Rector A. Logunov of Moscow State University, Chairman V. Saykin of the Moscow city soviet ispolkom, and Deputy Chairman I. Kanayev of the USSR Chamber of Commerce and Industry.

Chairman Kim Young Sam of the DLP and members of the DLP delegation had lengthy conversations with Director V. Martynov of IMEMO and other IMEMO associates.

Chairman Kim Young Sam of the DLP presented a lecture at Moscow State University and chaired a bilateral IMEMO seminar for members of the Korean and Soviet scientific and business communities along with IMEMO Director V. Martynov.

Chairman Kim Young Sam of the DLP and IMEMO Director V. Martynov held a press conference for Soviet, Korean, and foreign journalists. Chairman Kim Young Sam of the DLP also granted several interviews, including interviews to the IMEMO organ MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA, USSR TV, TASS, and the USSR Supreme Soviet organ IZVESTIYA.

The meetings DLP Chairman Kim Young Sam had with Soviet spokesmen took place in a sincere and constructive atmosphere and were exceptionally profound in content. The topics discussed during these meetings included the normalization of relations between the USSR and the Republic of Korea, the peaceful unification of Korea, and cooperation in northeast Asia and the Pacific. The overall result of the meetings Chairman Kim Young Sam of the DLP had in the USSR was the acceleration of Soviet-South Korean dialogue. This process effectively put the two countries on the level at which official intergovernmental relations are now possible.

To this end, the sides also discussed the establishment of direct contact between the CPSU and DLP, the use of this contact to establish a stronger mutual understanding between the ruling parties, and exchanges among the supreme legislative bodies of the two countries, which could promote the fruition of the plans for a conference

of parliamentarians from six countries—North Korea, South Korea, the USSR, the United States, China, and Japan.

In the sphere of scientific and technical cooperation, the sides gave serious consideration to plans for official meetings between ministers of science and technology and regular contact between the USSR Academy of Sciences and the Institute of Science and Technology of the Republic of Korea for the purpose of carrying out joint research programs and exchanging scientific information and personnel.

After underscoring the desirability of broader cultural exchange, the sides discussed the possibility of contacts between the governmental and public organizations in the two countries responsible for this kind of exchange—the ROK Ministry of Culture, the USSR Ministry of Culture, and the Union of Soviet Societies for Friendship and Cultural Relations with Foreign Countries.

The idea of establishing a sister-city relationship between Moscow and Seoul was discussed within the sphere of positive exchanges on the local government level.

The IMEMO and DLP agreed on the following:

1. The reassessment of the foreign policy practices and national interests of the Soviet Union and the Republic of Korea led both countries to an understanding of the desirability of official relations on the government level. There is a good chance at this time for the quick establishment of these relations. The two sides should conduct consultations and negotiations and take the other necessary measures to promote the complete normalization of their relations.
2. Relations between the USSR and the Republic of Korea should be based on such commonly accepted universal principles as mutual respect for the sovereign right to choose a development model, non-interference in internal affairs, and non-aggression. These relations must be based on a balance of the interests of both countries.
3. Relations between the USSR and the Republic of Korea will not be directed against any third country. The development of relations between the USSR and the Republic of Korea will aid in the establishment of a normal and healthy atmosphere on the Korean peninsula and the acceleration of inter-Korean dialogue. It is obvious that all of these changes will be of vital importance in the advancement toward the cherished goal of the Korean people—the peaceful unification of their homeland.
4. Under these new conditions there are promising prospects for the growth of Soviet-South Korean trade and economic cooperation. The two sides should strive to realize these prospects by basing their economic relations on a solid foundation of legal contracts and by gaining a better understanding of one another's problems.

and capabilities. There is no question that this will entail many difficulties, but with the necessary support from the political leaders of the two countries and in the context of the establishment of official intergovernmental contacts, these difficulties can be surmounted.

When the Soviet side expressed satisfaction with the results of the DLP delegation's visit to the USSR, it underscored its profound gratitude to DLP Chairman Kim Young Sam for his outstanding contribution to the development of Soviet-Korean relations.

Chairman Kim Young Sam of the DLP said that he shared the Soviet side's sense of satisfaction and expressed his gratitude to IMEMO. Chairman Kim Young Sam of the DLP said that his efforts have always been guided by the genuine national interests of his country and its people.

On behalf of the DLP, Chairman Kim Young Sam of the DLP invited an IMEMO delegation to visit the Republic of Korea soon. He also repeated that his party would be happy to assist in the arrangement of scientific assignments for IMEMO associates in the Republic of Korea and, whenever possible, to serve as the host and sponsor of the professional assignments and give the Soviet scientists the best possible opportunities to study the political, economic, and social development of the Republic of Korea. These invitations were gratefully accepted.

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#### **Denationalization—Unavoidable Phase of Reform**

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MEZHDUNARODNYYE OTNOSHENIYA in Russian  
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[Article by L. Grigoryev]

[Text] The chain of poorly connected economic laws and decrees of recent years and the arguments about property, land, and local self-government in the Supreme Soviet have made it necessary to discuss the purposes of reform once again. The establishment of a market economy, which was one of the general goals set at the Second Congress of People's Deputies, cannot be accomplished through partial measures. The government and the legislators in the Supreme Soviet are still hesitant about taking the most radical and, consequently, most difficult and most unpopular measures.

The move from the dominance of vertical ties to the prevalence of horizontal ties in industry—i.e., to the market—will necessitate the replacement of the owner or (in the beginning) the subject executing the ownership and management of large enterprises. Only this will make it possible to base decisions with regard to the production program, prices, and capital investment on market principles. Radical denationalization must take

place from the bottom up. It must be initiated by labor collectives or progressive administrators experimenting with their enterprises. A sweeping program for the transformation (from the top down) of the leading industrial enterprises into joint stock companies will be necessary. They should constitute the basic structure which will then take on the market relationships along with farmers and small businesses in industry, construction, transportation, trade, and services. The expansion of the rights of enterprises cannot serve as the basis of the new economic mechanism without balanced control on the part of a property owner with an interest in the effective (in line with microeconomic criteria) functioning of the enterprise.

The transformation of large-scale industry will be a complex and lengthy process. It will require the drafting of the appropriate set of laws, the training of personnel, and the establishment of several institutions which will be completely new to us, such as investment banks, auditing firms, etc. The measures can only be taken in a group and only with extreme caution, to avoid discrediting this form of ownership in the public mind (in the way that the cooperatives have already been partially discredited). This will require, in particular, answers to the following questions: Would it be better to distribute the stock or sell it? If it would be better to sell it, then to whom? Finally, how can the sale of stock and the management of the new joint stock companies be organized? It will also be important to decide where the receipts from the sales will go.

The Western experience reveals a broad range of methods of controlling joint stock companies. The prevailing method in the United States has always been individual ownership of the stock, whereas in Japan a tremendous role is played by the joint control of stock by banks, companies, and various financial institutions, and in Western Europe several forms of government regulation of the operations of large companies have been developed in the postwar period. The joint stock form of ownership secures the effective marketing behavior of economic units regardless of the method of stock distribution. The whole problem will be the method of transition to this form of ownership. After all, the rest of the essential conditions for the creation of a market can only be established after the real control of large enterprises has moved from the top to the bottom.

There have been proposals regarding the "fair" distribution of stocks among all citizens. First of all, this would lead to the quick redistribution and concentration of stock capital—quicker than with the mixed type of control (institutional and individual). The main thing, however, is that the "fair" distribution of stock in all enterprises in such a way that each citizen will receive a stock package of approximately equal market (!) value will be impossible.

This means that the sale of stock would be preferable. The value of the fixed capital (in accordance with the balance sheet method of appraisal, in the absence of any



other method) of enterprises of union jurisdiction is around 600 billion rubles. Their assets can be estimated at a trillion rubles if the value of the land and of working capital is added. The size of this sum clearly excludes the possibility of the sale of all stock at once. If part of the stock (around one-fifth, for instance) is turned over to labor collectives, part is exchanged by the enterprises concerned (although equivalent exchange will be a big problem), and part—with the size depending on the sector of the economy—begins to be sold, the process will take several years. Stocks worth at least a few tens of billions of rubles a year can be sold to citizens of the USSR—savings will allow for this. Those who are afraid of falling into the clutches of the mafia can relax. It will be easy for government agencies to regulate the sale of stock. The founders would have the right to screen shareholders, strict records of stock ownership would be kept, and it would even be possible to confine all sales to computerized operations involving written orders. The attraction of foreign portfolio investments could become an important way of attracting capital into our country, and the danger of "foreign exploitation" can easily be countered with limitations on sales of stock to foreign legal and physical persons, depending on the sector of the economy.

The transformation of the personal savings of the population into stock cannot be a quick and easy process. We must not forget that government bonds and savings and commercial bank deposits will be competing forms of investment.

The process of the transformation of large-scale ownership should probably begin with genuine nationalization, entailing the "confiscation" of property from all types of agencies. The next step would be the creation of a committee for the management of government property, subordinate to the president and the Supreme Soviet, which would regulate ownership and property relations on behalf of the state. It could take control of part of the government's present property which will continue to belong to it (the government) in the future—forests, parks, the infrastructure, and the defense industry—and could establish financial holding companies (we will call them investment funds) on a sectorial and/or regional basis for all other industry. They would initially receive 100 percent of the stock in enterprises. Later the functional role of these funds would depend on the specific branch of industry they serve. In some branches they would retain from 51 percent to 100 percent of the stock—i.e., full control over key economic decisions—but would not be responsible for the routine management of companies. In other branches the percentage of stock held by the funds would decrease, for example, to 10 percent, but with the stipulation that some key decisions (on exports and imports of capital and transfers to another branch) could only be made with their consent. The main function of the funds would consist less in the control of stock than in the creation of joint stock companies, the formation of their boards of directors, and the organization of the sale of stock. In most

branches, especially the ones producing consumer goods and many types of machine-building products, the funds could eventually (before the end of the 1990s) "divest" themselves of all of the stock.

The program of property transformation presupposes the drafting of plans for the gradual sale of stock through each investment fund with a view to the distinctive features of the branch and enterprise, demand, the state of the money market, etc. The consideration of the inflation factor alone will require sophisticated calculations, and the sales themselves will presuppose public trust in the agencies selling the stock and in the new forms of savings and investment in our society. The program presupposes the simultaneous creation of a specialized body, something like a securities commission, because any transfer of stock must be recorded. Regional stock exchanges will also be necessary, if only in the form of special bank divisions.

The investment funds would begin by playing the role of the founders of investment banks, but in time this role should undergo considerable changes. This is where the most important question comes up: Where will the receipts from the sale of stock go? In contrast to sales of land, homes, and other buildings—various types of real estate—in this case it would be dangerous to deposit the receipts in the budget. This would cause an apparent reduction of the deficit while actually taking long-term savings and economic accumulations out of the investment sphere. They would simply be used to cover current needs. The money invested in stock would represent a savings deposit for an unlimited term and should be reinvested. The concentration of the money earned from the sale of stock in the investment funds would make it possible to credit economic development with their help and, in particular, to establish the next generation of companies, venture capital, etc. During this stage they could function as intermediate creditors for banks and other credit institutions (instead of the still underdeveloped pension funds and insurance societies) or could buy government bonds. This would introduce more discipline into government spending.

Different approaches can be taken to the creation of the market and to denationalization, but in any case some kind of denationalization program will be essential before the question of a market economy can be taken seriously. The best method of all would be its institution by direct presidential decree, so that we will not drown in a sea of endless arguments about the fairness and purpose of the market.

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### Lithuanian Gambit

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MEZHDUNARODNYE OTNOSHENIYA in Russian  
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[Article by S. Morgachev]

[Text] Soon after the Lithuanian Supreme Soviet declared the independence of Lithuania on 11 March 1990, it became obvious that although the world community recognized the Lithuanian people's right of self-determination, it refused to immediately recognize the autonomous Lithuanian state. It also had trouble accepting the fierce pressure that was being exerted on Moscow to discourage any attempts to impede Lithuania's secession. The arguments in favor of this approach are well known: The formation, *de jure* and *de facto*, of an independent Lithuanian government could be used by certain groups in the USSR against the president and the forces backing him up; the inability of the center to preserve the earlier borders of the state would weaken the president's political position and could slow down or stop the process of reform, with unfavorable implications for the future of the Soviet Union and international relations.

Unfortunately, these apprehensions are not groundless. According to a poll conducted by the All-Union Public Opinion Research Center (in August and September 1989), 63 percent of the inhabitants of the RSFSR believe that "those who wish their people well should..." "concern themselves with the unity and solidarity of the USSR," and only 20 percent feel that they should "work toward a 'strong center and strong republics.'" In a later poll, conducted by the Academy of Social Sciences of the CPSU Central Committee (in February 1990), the question was worded more directly: Respondents were asked to describe their "feelings about the complete autonomy of Soviet republics, to the point of secession from the USSR." Even in Moscow, with its higher level of legal knowledge, positive feelings were expressed by fewer people than negative ones—32 percent and 37 percent. In Kirov Oblast, where a comparison group was surveyed, the respective figures were 24 percent and 54 percent. These data are extremely conditional, and their precise interpretation would be impossible, but it is clear that the idea of the unconditional recognition of the independence of republics has no strong appeal for the "average" Russian, for whose sympathies such an intense struggle is being waged. Even in Moscow the supporters of the government and the "rightwing populists" combined represent just over 50 percent of the population (according to the December 1989 poll conducted by the Nauka Center for Applied Sociological Research), but these are the types of political thinking that are least likely to be compatible with the separatist ideology. In particular, the United Labor Front of the USSR, which has always been associated with rightwing populism, includes the Baltic and Moldavian "international movements" and opposes the forces advocating the independence of these republics.

Current political realities are such that the secession of republics from the union cannot and will not find any support in the CPSU Central Committee or the USSR Supreme Soviet, or among the people's deputies of the RSFSR, not to mention the army, the Ministry of Internal Affairs, and the KGB.

Is it possible that the president could use his personal authority, the levers of power at his disposal, and his channels for influencing public opinion to quickly bring about a reversal in attitudes toward the issue of nationality? This is highly improbable, even if we overlook the fact that the possibility of the automatic granting of independence to republics is unlikely to correspond to the president's own political views. The precedent of the rapid reversal of attitudes in the USSR Supreme Soviet toward the sixth article of the Constitution does not provide any grounds for analogies: The society and its institutions are much more likely to accept political pluralism than the possibility of the secession of a republic. This is not surprising, because signs of the disintegration of the federation will signify a qualitatively new stage in the collapse of familiar political realities.

Furthermore, it is also not surprising because the unitarian attitude toward the government of another nationality—small, weak, or dependent—has been most common in the history of all ages and all nations.

In Russia, where people have traditionally identified their own government with the union government, this way of thinking is reflected in the insistence on the preservation of a great—i.e., big—centralized and militarily strong state. The separatist feelings in Azerbaijan, Georgia, and Estonia coexist with the suppression of the separatist ambitions of the Armenian, Abkhaz, and Russian ethnic minorities. Lithuania is no exception either: The refusal to grant the Polish population autonomy was accompanied by the same words about unity the center has addressed to Lithuania.

The problem of the optimal policy of the central government toward the republics is one of the facets of the key problem for our state—the need to guarantee stability during the transition period. This stability is the factor predetermining the West's current policy of the "Lithuanian gambit." The West is aware of the deadlock the president and his "team" are facing—a problem which cannot be solved quickly. Each day the efforts to keep the federation from collapsing hint at the possibility of the use of force, which would discredit the idea of *perestroika*. The abandonment of these efforts, however, could rob this idea and the president of their political future. The deadlock might be broken in time. This possibility, on which the president is probably relying, is connected with the expectation that separatist feelings will die down as the reform process continues and as the "new federation" is formed, and with the hope that the intransigent unitarian attitudes might be diluted by heightened political awareness.

Is this "Lithuanian gambit" the appropriate move? The fundamental idea is apparently accurate, although the simultaneous acknowledgement of the need to "let go" of Lithuania and of the impossibility of "letting go" of it at this time is a heavy burden for the Russian liberal intelligentsia, which has had to debate the relative value of means and ends once again. As long as there was no use of force, the situation had an acceptable political basis, and the actions of the sides could be justified on ethical grounds. Beyond this point, events would hurt perestroika in the USSR and the process of the acquisition of national independence by Lithuania as well as positive tendencies in international relations.

From March to May 1990, a period which might go down in history as the "Lithuanian crisis," the situation threatened to cross the line of violence several times and finally did cross this line. For a long time events developed in line with the confrontation that began long before the Lithuanian Supreme Soviet passed the resolution on independence. The political skills and images of M.S. Gorbachev and V. Landsbergis underwent difficult tests. The settlement of the conflict is still a matter of vital importance, and this has been the focus of the efforts of the international community. Members of political groups in the world community realize that the victims in the "Lithuanian gambit" will not be ideas and principles, but human beings. Meanwhile, the "Lithuanian crisis" shows every sign of becoming a "Baltic crisis." It is time for all of the sides to make the right moves.

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### Horn of Africa: Problems and Prospects

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MEZHDUNARODNYE OTNOSHENIYA in Russian  
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[Article by Vladimir Petrovich Mikhaylov, student at Diplomatic Academy, USSR Ministry of Foreign Affairs]

[Text] The settlement of regional conflicts certainly ranks high among mankind's immediate objectives at this time. In our interdependent world these conflicts have ceased to be the affair of only the parties directly involved in them. They are having a destabilizing effect on the international situation in the world as a whole.

One of the regions distinguished by heightened military-political "seismicity" is the so-called Horn of Africa, a geopolitical entity consisting of the territories of Somalia, Ethiopia, Djibouti, and Sudan. For more than a decade this has been the scene of a continuous series of regional conflicts, hostilities, and bloodshed, which die down and then flare up once again. Whereas the conflicts in this region were once regarded by the majority of statesmen as "local skirmishes on the political periphery," however, the situation which has taken shape here

in recent years is attracting increasing attention as one of the seats of tension in the world. The Horn of Africa has gained a permanent place on the list of problems regularly discussed at meetings of representatives of various states, including Soviet-American summit meetings. The general public, however, knows much less about the situation in the Horn of Africa and about the causes and nature of the processes in this region than about, for instance, the problems in the Middle East or Southeast Asia.

It is not easy to understand the group of contradictions, interests, and interrelationships which led to the state of conflict in this part of the world and is still feeding it. Features common to all of the unstable regions of the planet are intermeshed here with the specific or distinctive features of this region. The long-term objective basis of the constant tension here is the extremely low level of socioeconomic development. All of these states belong to the category described by the United Nations as the least developed countries in the world. The overwhelming majority of the people here live the life of veritable beggars. The economy is unbalanced and is heavily dependent on external factors. The distinctive extreme fluctuations in the climate of these locations have a serious effect on all economic affairs and, consequently, on all social and political life. It is not surprising that the Ethiopian revolution took place in 1974, when a severe drought took the lives of hundreds of thousands of people.

The topographical peculiarities of the region (mountain ranges, canyons, and vast deserts), the distinctive features of its historical development (the colonial division of the territory in the 19th century into French, British, and Italian Somalilands and Eritrea), and the ethnic and religious diversity are the reasons that the countries of the Horn of Africa still have virtually no complete national markets to serve as a solid economic foundation for these states. Elements characteristic of pre-capitalist societies, such as the isolated natural economy and nomadic livestock breeding, still occupy a prominent place in the multileveled economic structures.

The level of productive forces also corresponds to the nature of social relations. Clan and tribal bonds still play an important role in the life of much of the population, and tribal affiliations frequently exert a stronger influence than membership in a social class, stratum, or political organization. Despite the presence of formal democratic institutions in several states, all of them are actually governed by authoritarian regimes, backed up by the army. Most of the political parties are based either on tribal associations and religious sects or on organizations resembling the medieval orders. Authority is based on power, and the primacy of power over the law is clearly apparent in domestic and foreign policy.

One of the distinctive features of the Horn of Africa is its ethnic diversity. Official data just for Ethiopia record around 100 national groups, not to mention smaller ethnic communities. The combination of the incomplete



development of nationalities and national groups with their growing political awareness, desire for autonomous development, and search for methods of self-assertion cannot have a stabilizing effect in the region. On the contrary, it is the cause of armed confrontations and conflicts.

The line dividing the two main world religions—Christianity and Islam—has run through the Horn of Africa for many centuries, and the confrontation between the two has sometimes taken extremely acute forms.

The region's proximity to important waterways and oil-bearing zones is the reason for the heightened interest of various external forces in this territory and their struggle for spheres of influence here, introducing additional destabilizing elements.

The combination of all of these unfavorable factors and the increasing influence of first one factor and then another are the cause of the unstable, and sometimes extremely tense, atmosphere in the region and of difficulties in the search for ways of normalizing the situation.

# I

One of the most acute problems the states of the Horn of Africa have faced in recent years is the need to settle internal armed conflicts, find peaceful solutions to problems connected with the right of people to self-determination, neutralize separatist and centrifugal tendencies, and reconcile ethnic differences.

The Ethiopian state took shape within borders close to the present ones in the second half of the 19th century as a result of the Ethiopian emperors' fierce battles with neighboring principalities and sultanates and with the colonial powers which had invaded the Horn of Africa at that time. Italy was able to seize the Red Sea coast, over which Addis Ababa had only the weakest control, and to establish the colony of Eritrea here in 1890, but its attempts to seize control of all Ethiopia were unsuccessful until 1936, when Mussolini's troops managed to occupy the country. In 1941 the Italians were driven out, and in 1950 Eritrea was united with Ethiopia in a federation by a UN decision but retained fairly broad autonomy. The fact that the territory of Eritrea had been part of the ancient Kingdom of Aksum (1st-10th centuries), regarded as the cradle of the Ethiopian civilization, and had also been under the control of Addis Ababa to some extent during some other periods of its history, served as one of the main arguments in favor of the assertion that "Eritrea is historically part of the Ethiopian state." When the imperial regime in Ethiopia abolished Eritrea's autonomous status in the federation and incorporated it as an administrative region in 1962, most of the Eritrean population protested and resisted the unification. By that time Eritrea was the economically and politically most advanced territory in Ethiopia. Industry had been developed to some degree there,

modern classes were beginning to take shape, and political parties, the parliament, and the government acted on the basis of a constitution.

Inclusion in a feudal monarchy was a step backward in Eritrea's historical development. The Eritrean resistance took the form of armed struggle, but because of the ethnic and religious diversity of the Eritreans, the struggle was headed by two organizations: The Eritrean People's Liberation Front (EPLF) consisting primarily of Christians and based mainly in the mountains, and the Eritrean Liberation Front (ELF), with a Muslim orientation and with influence in the valleys. The political image of these movements, which have competed to the point of open confrontation, was extremely vague. They included pro-Marxist and nationalist elements and members of various tribal groups. Something all of the fronts had in common, however, was the demand for the self-determination of Eritrea, to the point of establishing an independent state.

The emperor's many years of attempts to suppress the Eritrean movement by military means were futile. The fronts, which were supported by most of the local population and received foreign aid, established control over much of Eritrean territory. Their struggle against the feudal monarchy under national-democratic slogans weakened the regime and had progressive sociopolitical features.

After the revolution of 1974 in Ethiopia, the leaders of the Eritrea fronts and the new military regime in Addis Ababa, which had also taken power under national-democratic slogans, could not reach a mutual understanding because the sides would not budge from their earlier irreconcilable positions on the status of Eritrea. The hostilities in the north broke out again. The government refused to consider the demand for a referendum under international supervision in Eritrea on its status (independence, federation, and autonomy), declaring that it had no intention of jeopardizing the unity and territorial integrity of the country. Furthermore, it is unlikely that any government which had agreed to "give up" Eritrea and lose access to the sea could have stayed in power. The desire for a strong unified Ethiopia was characteristic of much of the population of the central regions, especially the Amkhara, one of the largest national groups in the country, occupying key positions in the army and government.

In accordance with the new (1987) Constitution of the People's Democratic Republic of Ethiopia (PDRE), Eritrea was granted regional autonomy, but it was severely restricted in comparison with the autonomy it had in the federation prior to 1962. The Eritrean fronts announced that this autonomy was unacceptable to them and resumed their attacks on government troops.

Anti-government forces also became more active in other parts of the country at this time. The Tigrean People's Liberation Front (TPLF) was formed in Tigray, the administrative region bordering on Eritrea, by the

large national group of the same name and several smaller ethnic communities dissatisfied with Addis Ababa's policy and with their own inadequate representation in central government agencies. Coordinating their actions, the EPLF and TPLF launched several attacks on government troops in 1988 and 1989 and drove them out of large territories of Eritrea and Tigray. During the battles the Ethiopian army lost large quantities of the weapons and materiel it had received from the USSR and other socialist countries.

The many years of conflict in the north of Ethiopia demonstrated the futility of the government's attempts to suppress opposition nationalist movements by military means. The war placed a heavy burden on the country's already weak economy, took vitally important human and material resources out of the production sphere, and interrupted most of the government's economic and social programs.

The army and people began to display the debilitating effects of the war and a desire for the peaceful settlement of the conflict, but the government's hard line of using force to solve the problem and the related policy of "tightening belts" and "tightening screws" aroused increasing dissatisfaction. This was specifically reflected in the attempted military coup in May 1989.

Subjective factors—ideological, sociopsychological, and personal—have also played a negative role in the resolution of Ethiopia's internal political problems. Most of the leaders of the opposition organizations are extremely hostile toward the present Ethiopian leadership, headed by Mengistu Haile Mariam, which refused to share power and territory with them. The Ethiopian leadership, in turn, regards virtually all of the opposition forces as the proteges of imperialism and reaction, the enemies of the Ethiopian people, and outright gangsters. Many people in Addis Ababa still regard the policy of national reconciliation as a necessary concession to the "class enemy" and an unacceptable step backward in their evolution. The prevailing conviction in the political mentality on both sides is that "those who are not with us are against us," and although both sides have declared a desire for a peaceful political solution to the problem, each is actually striving for a settlement on its own terms.

Although the Eritrean problem is an internal Ethiopian affair, it effectively crossed the state borders long ago and became a serious destabilizing factor in the region, especially after the Eritrean fronts began to be supported by several Arab states and various forces in the West (both the forces with whose help the present regime in Ethiopia is to be undermined and those who sincerely think of the Eritrean struggle as a national liberation movement). This naturally had a negative effect on Ethiopia's relations with the countries concerned, and especially with neighboring Sudan, where these fronts have their training camps and bases, serving as the channel for most of the assistance they receive, including weapons and ammunition.

Various leaders of the Sudan have declared repeatedly that they do not approve of the creation of an independent Eritrean state, which could have a destabilizing effect on adjacent regions in Sudan itself, but they have actually either closed their eyes to the activities of the Eritrean fronts or have supported them. There are forces in Sudan, particularly the Islamic fundamentalists, advocating more effective displays of solidarity with the Eritreans. Besides this, Sudan is the target of considerable outside pressure—from pan-Islamic forces.

In the Sudan itself, the most acute problem for more than 20 years has been the struggle, including armed battles, by the non-Arab Christian and Animist minority in the south for its rights and against the policy of Islamization, which has been pursued in some form by all of the central governments, representing the interests of the Arab Muslim majority. In the last few years the struggle has been led by the Sudanese National Liberation Movement (SNLM), uniting various groups, from "pro-Marxist" to rightwing nationalist. The SNLM, according to its statements, is fighting against the passage of laws based on the Shariat and for a just solution to ethnic problems. Armed detachments of the movement conduct combat operations against government troops and control much of the country's southern territory.

Successive governments in the Sudan have tried to use force to solve the southern Sudanese problem, but this has only escalated tension in the country, weakened its economy, and destabilized the situation in the region. Rightwing forces in the Sudan used the continuation of the SNLM's armed struggle as a pretext to fuel Islamic fanaticism and pressure the government to limit the activities of all leftist and democratic forces in the country and then eliminate them and to pursue a tougher line in relations with Ethiopia, which has been supporting the SNLM.

The southern Sudanese problem is seriously complicating Ethiopian-Sudanese relations along with the Eritrean problem. Khartoum had good reason to accuse Ethiopia of supporting the rebels, because their training camps are located on Ethiopian territory and they receive some assistance from Ethiopia. The SNLM is also supported by several other countries on the African continent and beyond it.

Forces opposing the government are also active in Somalia. The main ones are the Somali National Movement (SNM) and the Democratic Front for the Salvation of Somalia (DFSS). They do not have any precise programs of their own, and although they declare general democratic aims, they are essentially fighting for the redistribution of power in favor of the national groups and tribes they represent (mainly from northern Somalia). In 1988, after concentrating their armed units in northern Somalia, the fronts intensified the hostilities against government troops there. The government's efforts to crush the opposition were unsuccessful, just as they had been in similar cases in neighboring countries.

and the struggle turned into a protracted ordeal, draining the Somali economy and escalating tension inside and outside the country.

Until recently, Ethiopia had been giving some support to Somali anti-government forces to counter the assistance the Somali Government was offering the Eritrean fronts and the anti-Ethiopian movements in the border region of Ogaden, where ethnic Somalis make up much of the population. All of this has constantly exacerbated the already difficult relationship between the two neighboring countries.

Therefore, opposition forces in the three largest countries, each with its own distinctive nature and its own goals, have been conducting an armed struggle for years against the central governments and have thereby destabilized the situation within these countries and in the region as a whole.

## II

These territorial, ethnic, and religious conflicts coexist with several other factors—historical, social, and ideological—and this complicates the situation in the Horn of Africa even more.

Just as in many other parts of Africa, the borders between the states here are mainly the result of the colonial division of the continent and were set with no consideration for the settlement patterns of tribes and national groups. This is why the Somalis' anticolonial struggle was waged under the slogan of the unification of all the "Somalilands" (British, Italian, and French, as well as neighboring regions in Kenya and the Ogaden region in Ethiopia) and the creation of "Greater Somalia." The struggle was only partly successful: After the colonizers left, the Somali Republic was established on the territory of former British Somaliland and the Italian Somaliland Trust Territory, and the territory of former French Somaliland became the Republic of Djibouti. The idea of uniting all of the Somalis did not die, however, and the present constitution of the Somali Democratic Republic sets the goal of "promoting the peaceful and legal liberation of the Somali territories still suffering from colonial oppression." Somalia did not recognize the OAU Assembly's Cairo resolution (of 1964), in accordance with which all of the members of the organization pledged to "respect the borders which existed at the time they won their national independence," and committed acts of aggression against Ethiopia twice (in 1963 and 1977) for the purpose of seizing Ogaden, but failed both times. With a view to developments in the region, Mogadishu eventually recognized the Republic of Djibouti and said it had no claims on Kenyan territory, and in recent years it has suggested the "need to grant the Somalis of Ogaden the right of self-determination."

The social and internal political situation in the Horn of Africa in the last few decades has not been distinguished by stability either. The most significant event influencing the situation in the region as a whole was the

Ethiopian national-democratic revolution of 1974. It added a qualitatively new aspect to the conflicts existing in the region. Ethiopia's declaration of its socialist aims, the formation of the Ethiopian Workers Party, the declaration of Marxism-Leninism as the party's ideological platform, the socioeconomic and political reforms instituted in the country on this basis, and the reinforcement of ties with the socialist states alarmed ruling circles in neighboring states. The apprehensions were fed not only by isolated remarks by the Ethiopian leaders, but also by their actual policy, which revealed an intention to exert a "revolutionizing influence" on adjacent countries.

It would be wrong, however, to say that social-class factors determine the foreign policy priorities of the states of the Horn of Africa. Policymaking is influenced most by the attempts of each country to guarantee itself a strong position without considering its neighbors' interests, and frequently even to the detriment of these interests. Ethiopia's choice of a socialist orientation not only failed to promote rapprochement with Somalia, which announced its commitment to the same development pattern at that time, but could not even stop the latter from committing acts of aggression against Ethiopia in 1977 with the aim of annexing Ogaden. This outburst of nationalism caused the Somali leadership to respond to the USSR's refusal to support the invasion with the unilateral abrogation of the treaty on friendship and cooperation with the Soviet Union and to establish close ties with the United States in exchange for military aid.

The Kenyan leadership, which had chosen the capitalist pattern of development, realized that it had to have an ally in the event of a repetition of Somalia's territorial claims and did not break off its ally relationship with Addis Ababa after the Ethiopian revolution. Furthermore, it renewed the treaty on friendship and cooperation, one of the articles of which called for mutual assistance in the event of Somali aggression, with the new Ethiopian leadership.

The religious factor, as we have already noted, played a role in causing and perpetuating the conflict in the Horn of Africa. The competition between Islam and Christianity is clearly a part of the internal conflicts in Ethiopia and the Sudan and is revealed in Ethiopia's relations with most of its neighbors. The Christian Ethiopian state always opposed the spread of Islam in this part of the world and fought constant wars with the "infidels" surrounding Ethiopia. After the 1974 revolution in Ethiopia the church was separated from the state, and the equality of all religions was proclaimed, but there are still mutual suspicions between Ethiopia and the Islamic Arab world.

The regional arms race and the signs of militarism in some countries are also having a negative effect on the situation. The greatest military power in the region is Ethiopia (the number of its armed forces personnel has been estimated at over 300,000 men). The Sudan and Somalia also have large armies by African standards



(estimated at 105,000 and 150,000 men respectively). Their maintenance costs the people of these countries too much (defense and security expenditures absorb more than half of their state budgets). It is also significant that professional soldiers are in power in Ethiopia, Somalia, and the Sudan, and they are inclined to prefer the use of force in dealing with domestic and foreign policy problems.

### III

Many external forces, each pursuing its own interests, are also having a perceptible effect (unfortunately, still largely negative) on the processes in the region.

The uninterrupted flow of foreign "military aid"—the main source of weapons and materiel in the region—is a serious destabilizing factor. It is augmenting the military arsenals of not only legal governments, which is enough in itself to feed belligerent feelings and establish the material foundation for the possibility of war, but also—indirectly—various opposition fronts and organizations conducting military operations mainly with captured weapons. The arms suppliers have no way of effectively controlling their use. As a result, the weapons are frequently used against the suppliers' own political and other interests. Military aid is pitting the countries receiving it from the West (Sudan, Somalia, Kenya, and Djibouti) against Ethiopia, which receives it from the East. If we add the presence of foreign military personnel (American, English, French, and Soviet, and prior to 1989, Cuban) in the region, the military exercises conducted here by foreign states, and the existence of agreements on the use of military installations in the countries of the Horn of Africa by other states (the United States and France), the total situation is typical of a zone of military-political confrontation by the two world systems.

A large part of the Arab world regards the Ethiopian state as an obstacle to the spread of its influence in the region and the realization of its long-cherished dream of turning the Red Sea into an "Arab Lake." The Arab League and the Organization of the Islamic Conference passed resolutions in 1975 and 1977 asking their members to assist and support the Eritreans in the hope of establishing an independent pro-Arab state here. Egypt, however, has an interest in good relations with Ethiopia, the source of most of the Nile waters of vital importance to Egypt, and in stabilizing the situation in neighboring Sudan, and has therefore advocated the normalization of the situation in the Horn of Africa. Some Arab states, such as the PDRY and Algeria, have expressed solidarity with the Ethiopian revolution and are giving Addis Ababa political support.

The national-democratic revolution of 1974 in Ethiopia alarmed the Western countries which had maintained close relations with the imperial regime. After the Ethiopian leadership announced its plans to build a new society on the basis of socialist principles, the apprehension turned into hostility, reflected in a propaganda

campaign against the Ethiopian government, in economic and political pressure on it, and in the more active support of anti-government organizations.

Viewing the Horn of Africa as one of the support points of its activities in the Near and Middle East (the agreements with Somalia and Kenya on the use of their military installations by the American Army), the United States included this region in the sphere of influence of its Central Military Command in 1983. Ethiopia was added to the "black list" of states violating democratic principles (although several neighboring countries with equally bad records in this respect were not on the list), and in October 1988 the U.S. Congress decided to grant the President the power to institute economic sanctions against Ethiopia at his own discretion in the event of violations of human rights there until 1990. Besides this, the American officials announced their interest in the peaceful settlement of the problems in the region and their respect for the territorial integrity of the states located there.

The West European countries, pursuing goals similar to American strategic goals, are counting on the gradual degeneration of the Ethiopian revolution and the reinforcement of their own influence here by economic and ideological means. Many of them have also expressed their willingness to promote the peaceful resolution of problems in the region. In particular, Italy and France have offered their mediating services for this purpose. Several socialist and social-democratic parties in Western Europe are supporting the Eritrean fronts as "fighters for national liberation."

The Soviet Union and other socialist countries have always expressed official support for the peaceful political resolution of problems in the Horn of Africa and the establishment of good-neighbor relations and cooperation between the states located here, based on mutual respect for sovereignty and territorial integrity and on non-interference in one another's internal affairs.

Without denying this, we must admit that these principles have not been the deciding factors in the actual policy of the USSR in the Horn of Africa, or, for that matter, in other regions. This policy is based on the belief in class struggle. All countries and movements have been categorized as allies or opponents on this basis, and policy toward them has been made accordingly (there is no need to say that the confrontational, bloc approach is also used by our "opponents" in the West; our researchers have cited enough convincing arguments to support this). Virtually the entire Third World was included among our potential allies. Any national liberation movement, not to mention a revolution, was regarded as anti-imperialistic, and if references to Marx and Lenin and to the construction of socialism were made during this revolution, the complete and comprehensive support of the USSR was guaranteed. The mass use of violent means was justified by the argument that this was an unavoidable part of class

struggle and the suppression of the exploitative classes, and extremist behavior was portrayed as revolutionary conviction.

Of course, it would be wrong to go to the other extreme today and to ascribe negative motives to all of the radical leaders in the Third World. Most of them are patriots of their own lands, and some are willing to give up their lives for their countries. They are more to be pitied than blamed for their attempts to immediately pull their underdeveloped countries out of their backward state on the basis of their own oversimplified interpretation of the socialist ideal. It is completely understandable that the long road of the development of commercial relations and a complex and diversified market economy, presupposing, especially in the beginning, the considerable stratification of society on the basis of property and social differences and entailing such phenomena as unemployment, the road proposed by Western experts, does not sound appealing to these leaders. It is much more tempting to concentrate all of the forces of society in a single party-state fist (and, along the way, to cut off the fingers which do not curve to fit the rest of the fist) and "rush" to the appointed goals of liberty, equality, and fraternity, especially in view of the fact that, judging by the "Brief Course in the History of the All-Russian Communist Party (Bolshevik)" and the thousands of works written on this basis, this experiment was successful in the USSR. As we have seen, the falsification of our own history was a disservice to our people and to many others, and sometimes it is just as difficult for them to give up the illusions and dogmas as it was for us.

Returning to the Horn of Africa, we must say that this approach was clearly apparent there. The rise of the military to power in Somalia in 1969 under the slogans of the socialist orientation was viewed by the Soviet leadership of that time as another chance to expand the socialist front and, on the military-strategic level, to create a counterbalance in the region to the United States' then fairly strong influence in neighboring countries. We cannot say that the USSR's relations with Somalia were based only on selfish considerations: The Somalis were given considerable assistance in the development of their economy, the training of national personnel, and the establishment of their political structure, but the failure to consider the distinctive nature of the socioeconomic basis of Somali society, its political superstructure, and the intensity of nationalist feelings eventually led to a situation in which the USSR contributed to the creation of a material base for the aggression of 1977-1978 in Ogaden by strengthening the Somali Army.

There is good reason to believe that filling a region with weapons, even with the best intentions, will destabilize the situation, encourage attempts to solve disputes by force, and eventually increase the probability of military conflict.

During the Somali aggression against Ethiopia, with which we were actively striving for a closer relationship

at that time, the Soviet Union took a principled stance by defending the victim of the aggression and offering it substantial aid, including military equipment. There is some basis, however, for the reproaches that the "Ogaden war" was fought primarily with Soviet weapons on both sides.

The situation in the Horn of Africa changed radically on the surface after 1978. Somalia, which had broken the treaty on friendship and cooperation with the USSR, drew closer to the United States, and Ethiopia, which had broken off relations with Washington, concluded a treaty with the Soviet Union. The approach to processes in the region on the part of the two "superpowers," however, did not undergo any fundamental changes, and history began to repeat itself to some extent.

After the Ethiopian leadership announced its socialist aims and instituted several radical reforms, it began receiving various types of assistance and support from the USSR and other socialist countries. During this process, whether by design or by accident, plans and stereotypes which were not applicable to local conditions were sent to Ethiopia. We applauded and praised the successes and achievements of the Ethiopian revolution, but we preferred not to speak of our friends' miscalculations and errors because we believed that this was against the principle of non-interference in internal affairs and that it could ruin our relationship.

The inconsistency of the USSR's position was probably revealed most distinctly in the Eritrean question. Prior to 1974 the Eritrean movement was viewed as a national liberation, anti-feudal, and even (judging by its slogans) anti-imperialist movement and was given tacit but completely tangible support. After the Ethiopian revolution, although there was no change in the Eritreans' slogans, they became its "class enemies" and were described as nothing other than "separatists" and "counterrevolutionaries" in Soviet literature. To put it bluntly, the USSR supported the movement when it was weakening an ally of the United States (with which, incidentally, we maintained fairly good intergovernmental relations), and began assisting in its suppression after the Ethiopian Government became our ally. Although the Soviet Union verbally advocated a peaceful solution to the Eritrean problem, it filled requests for weapons for the Ethiopian Army even when there was virtually no threat of outside aggression and when the government was striving to solve the internal problem by military means. Many Soviet military advisers were also sent to Ethiopia (and are still there).

The beginning of perestroika in the USSR and the elaboration of the new political thinking were accompanied by gradual changes in our approach to problems in the Horn of Africa. It became more and more realistic and constructive. After the Soviet Union realized that the continuation of its earlier line would not expand and strengthen socialism's influence and would actually undermine and jeopardize world security, it tried to convince its friends and allies of this. In particular, it

used its political influence to normalize Ethiopian-Somali relations. Recently our country has been playing a positive role in the organization of Ethiopian-Sudanese dialogue and the improvement of the PDRE's relations with the Arab world as a whole.

A new attitude toward the Eritrean problem also began gradually taking shape. Whereas it was once viewed as a purely internal affair of Ethiopia, which the Ethiopian Government had the right to resolve by any means, including military ones, now Soviet representatives are making a greater effort to convince the Ethiopian leaders of the futility of the military course of action and the need for a more vigorous search for political solutions. In connection with this, the extremely substantial Soviet military aid to Addis Ababa began to look particularly illogical. The Soviet side announced that this aid could not be unlimited and took some measures to restrict it. Soviet military experts were withdrawn from the zone of direct combat, and their numbers were gradually reduced. At the same time, a decision was made, with the consent of the Ethiopian leadership, to establish direct contact with the EPLF to explain the Soviet position on the matter, assist in reconciling the two sides, and free the three Soviet citizens who had been taken hostage by EPLF forces in March 1988.

#### IV

The overall improvement of the international climate, the move from confrontation to dialogue, and the perceptible progress in the settlement of several regional conflicts naturally affected the political atmosphere in the Horn of Africa. Definite positive changes have also taken place here recently.

The leaders of the states in the region, judging by all indications, are beginning to realize that the acute economic, social, foreign policy, and other problems of their countries cannot be solved through more intense confrontations, not to mention wars with their neighbors. In an attempt to strengthen the position of their regimes, they have begun displaying greater flexibility and willingness to organize intergovernmental dialogue. After a series of talks and consultations, an agreement was signed in Mogadishu in April 1988, in which Ethiopia and Somalia pledged to refrain from the use of force and threats of force in bilateral relations and from interference in one another's internal affairs, to keep their troops at a distance of 15-20 kilometers from the existing border, to prevent any actions that might destabilize one another, to renounce mutual hostile propaganda, to restore diplomatic relations, and to form a joint committee to investigate the border question. Action has been taken on virtually all of these points, with the exception of the last, and the two sides have expressed their willingness to continue the process of the normalization of bilateral relations.

The Ethiopian-Sudanese dialogue, aimed at settling existing disputes, became more active. Addis Ababa and

Khartoum exchanged specific proposals and began the difficult search for a mutually acceptable pattern of coexistence.

The first step was taken in the establishment of dialogue between Addis Ababa and the EPLF. Preliminary meetings of representatives of the two sides were held in Atlanta (United States) and then in Nairobi for the discussion of procedural aspects of the future talks. The sides agreed to begin the talks, without any preliminary conditions, in the presence of a third party as an observer and with public reports on the proceedings.

Nevertheless, it is too early to say that the positive tendencies in the region are irreversible or that they are the principal influence on regional events. The new political thinking is having trouble making headway here, compromises are still likely to be regarded only as signs of weakness or as temporary tactical moves, and force is viewed as an effective means of solving domestic and foreign problems. Attempts are still being made to take advantage of the internal difficulties of neighboring states and the opposition forces there to achieve certain goals at a neighbor's expense. Many leaders of opposition movements are still occupying a rigid and unconstructive position, apparently in the fear that the peaceful resolution of problems will jeopardize their personal plans and ambitions. A vivid example was the new broad-scale offensive by EPLF detachments and their seizure of the port of Massawa just before the third round of talks with the Ethiopian Government was to begin on 12 February 1990.

#### V

It is unlikely that anyone could assume the role of teacher and point out specific means and methods of solving the acute and difficult problems of the region. The search for these solutions is primarily the affair of the people living in the region. An analysis of the state of affairs, however, allows us to make a few observations with regard to the steps that might contribute to the establishment of peace and harmony in this part of the world.

The most important and most urgent objective at this time would seem to be the renunciation of the use of force by all of the parties involved in the different conflicts, the cessation of hostilities, and a move toward dialogue within the states and between them.

Although the people of this region can find the ways of settling these conflicts themselves, certain countries, various international organizations, and the world community as a whole (represented by the United Nations) could play a more effective and constructive role here than they have in the past. The renunciation of the confrontational approach to regional problems and the construction of relationships with the countries located here on a "client" basis, the de-ideologization of intergovernmental relations, and the coordination and unification of efforts to assist in their development could serve as a sound basis for steps in this direction.



On the practical level, it would be desirable for all states of the world, without exception, to avoid taking any actions that might destabilize the situation, prolong the hostilities, and increase the number of victims. Above all, this would include the cessation of arms deliveries, especially deliveries of heavy and offensive weapons, from all possible sources, the refusal to render any kind of assistance to countries in the region for the establishment of their own military industry, the reduction and subsequent withdrawal of foreign military personnel, and the dismantling of foreign military bases and installations. In other words, the region must be demilitarized in the broadest sense of the term. It is possible that a group of international security measures will have to be planned for the Horn of Africa, the Red Sea, and the Persian Gulf, including the guarantee of peaceful shipping.

Another important sphere of the world community's activity in the region could be assistance in stabilizing the economies of the countries located here, and especially in the prevention of hunger and the acceleration of their socioeconomic development with maximum consideration for local conditions and the use of methods which have proved effective in other countries. This could lay the foundation for sociopolitical stability and a gradual move from authoritarian military regimes to democratic governments.

Another important area of the efforts to establish peace and security in this part of the world will be the affirmation of the priority of law and common human values in the foreign and domestic policies of the states located here. After all, they are members of the international community and they are part of the interdependent world, and in this capacity they have certain responsibilities. Without violating the principle of the sovereign right of each state to make its own decisions on internal affairs, the international community would be completely justified in demanding compliance with the standards of international law, including those connected with domestic legislation and domestic policy.

The many factors influencing the situation in the Horn of Africa and the parties involved in the conflicts here and their variability would make any categorical definition of the developmental prospects of the region impossible. There is no question, however, that the possibility of peaceful political solutions to the problems of the region does exist and must be used in its entirety.

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#### For Normal Soviet-American Relations

904M00131 Moscow MIROVAYA EKONOMIKA I  
MEZHDUNARODNYYE OTNOSHENIYA in Russian  
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[Interview with Ambassador Paul Nitze, member of  
Atlantic Council and former special assistant to U.S.

President for arms control affairs, by A.G. Savelyev, senior scientific associate in Department of Disarmament Issues of Institute of World Economy and International Relations, USSR Academy of Sciences; passages in italics as published]

[Text] *At the request of the editors of MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA, A.G. Savelyev, senior scientific associate in the Department of Disarmament Issues of IMEMO [Institute of World Economy and International Relations], USSR Academy of Sciences, interviewed one of the most prominent members of the Atlantic Council, Ambassador Paul Nitze, former special adviser to the U.S. President on arms control. He was at the institute from 12 to 14 February for a meeting of the members of the Atlantic Council of the United States with representatives of the academic community and Soviet experts on disarmament issues.*

[Savelyev] Mr. Ambassador, please begin by saying a few words about the Atlantic Council and its aims and functions.

[Nitze] Its main function is the dissemination of information in the United States about all of the aspects of NATO operations for the purpose of winning broad support for the organization's activities.

[Savelyev] Speaking of the activities of military-political alliances, you would probably agree that the rapid changes in the East European countries, particularly the upcoming unification of the two German states, are certain to affect the future of the Warsaw Pact and NATO. Above all, I am referring not only to "geographic" changes, but to the possible changes I foresee in military doctrines, deterrents, the nuclear guarantees of the USSR and United States to their allies, and other aspects of the term "security." Would you please comment on these events from this standpoint?

[Nitze] We always believed that the division of Germany into two states could not strengthen security. As soon as World War II came to an end, we had no doubt that the main result of the peace talks by all of the parties concerned, including the USSR and the United States, should be a new security structure. We saw the future of Germany as the future of a single state. But then we were disillusioned with the policies of Stalin and Molotov, who tried to retain control over part of this country, and this is what led to its division. We never approved of the division of Berlin or of Germany itself, and my own opinion has therefore remained unchanged: I can only welcome this unification. The fact that for a long time I never even dreamed this would be possible in the foreseeable future is a different matter.

[Savelyev] Now that the unification of Germany is becoming increasingly probable, what can you say about the future security structure in Europe, which was based for a long time on the existence of two military-political alliances and the presence of Soviet and American troops on German territory? In particular, would you agree with

the option of the complete withdrawal of these troops, and if so, can a new structure of security and stability in Europe, which all sides will have an indisputable interest in preserving and strengthening, be defined today, even if only in the most general terms?

[Nitze] It is completely obvious that the probability of an East-West military conflict has been reduced considerably. The elimination of the division of Europe could serve to strengthen security even more because it is the main potential cause of confrontations. In turn, the division of Europe is largely a result of the division of Germany. Today the reasons for this division are disappearing and are offering new prospects for cooperation between the USSR and the United States. From the historical standpoint, our states have never had any fundamental reasons for conflict or for any historical enmity between our people, which is confirmed by the 200 years of the United States' existence as an independent state. I personally feel that the present process of the improvement of our relations is a return to normal. My grandfather, for example, was the Russian consul-general in Baltimore, Maryland, and my uncle, a famous geologist, conducted research in the Urals.

[Savelyev] So you have Russian roots?

[Nitze] No, the roots are German. My great-grandfather came from Germany.

[Savelyev] In the Soviet Union you are known as a diplomat and politician and also as one of the foremost experts on arms control. In particular, some people feel that Paul Nitze was instrumental in defending the SDI program by proposing the three-stage system for the deployment of ballistic missile defense and the two criteria for carrying out the program, which are known as the "Nitze criteria." In accordance with these criteria, the United States should begin deploying the ABM system only if the cost of the components of the system is lower than the cost of countermeasures, and only if its effectiveness will be higher than the effectiveness of possible countermeasures. What do you have to say about this and about the possibility of cooperation by our countries in the military sphere? Do you really think this is possible?

[Nitze] I think the main problem today is not the issue of possible cooperation in this sphere, but the determination of the ABM technologies that satisfy the "Nitze criteria." It is unlikely that anyone today could envision even the overall structure of this system, but to avoid misperceptions of one another's actions in this sphere, I asked some Soviet scientists to compile a list of ABM components based on different physical principles. This has to be done if only because, in my opinion, the ABM Treaty does not define ABM components based on different physical principles. I feel that this proposal, which was also made by Academicians Sapozhnikov and Velikhov, would be extremely helpful.

[Savelyev] We know that your interests also extend to the issue of naval forces. Please tell us what happened to the

proposal you made around 2 years ago with regard to the complete elimination of nuclear weapons on board the surface ships of the USSR and United States.

[Nitze] This was a case of a misconception or misunderstanding. I only questioned the possibility of this, but THE NEW YORK TIMES interpreted my remark as a proposal. I asked whether this idea could be viewed as a productive one.

[Savelyev] Nevertheless, do you feel that we will be able to sit down at the negotiating table one fine day to discuss naval arms?

[Nitze] I see no reason for these talks to be excluded from the agenda. At the same time, I do not quite understand why the USSR is insisting on these talks, because they will affect the areas in which your country has indisputable advantages, particularly attack submarines.

[Savelyev] Thank you for the interview. I hope the meeting of the members of the U.S. Atlantic Council with the Soviet academics and experts will promote stronger mutual understanding and trust between our countries in the same way as your frank answers to the editors' questions.

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### "An Idea Whose Time Has Come"

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MEZHDUNARODNYE OTNOSHENIYA in Russian  
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[Review by Yevgeniy Vladimirovich Bugrov, doctor of economic sciences and sector head at Institute of World Economy and International Relations, USSR Academy of Sciences, of book "Making Peace Possible: The Promise of Economic Conversion," edited by Lloyd J. Dumas and Marek Thee, Pergamon Press, Oxford, 1989, x + 317 pages]

[Text] The title of this review comes from the preface Inga Thorsson, the renowned Swedish expert on disarmament, wrote for the book "Making Peace Possible: The Promise of Economic Conversion." Yes, the time has come for new approaches to the civilian conversion of the economy. Now that the INF Treaty has been signed, this is no longer a matter of only academic discussions, but also a sphere of practical planning. Furthermore, the move from the theory to the practice of conversion became a reality as a result of the USSR's massive unilateral reductions of its armed forces, military expenditures, and arms production, and under the influence of the progress in the talks on the reduction of strategic offensive arms and conventional weapons in Europe.

No books have been written on this topic in the Soviet Union yet, but there are already many newspaper and

magazine articles describing our initial efforts at genuine conversion, the mistakes and difficulties we have encountered, the experience in surmounting them, and the organization and effectiveness of the large-scale transfer of resources from the military to the civilian sphere. These initial efforts in an area which is still largely "exploratory" after decades of the arms race, gives us a slightly different understanding of the Western anthology of papers on conversion than we might have had just a few years ago. We can read the work with enthusiasm and with an interest in choosing the foreign approaches and assessments that might of practical value to us. This is made easier by the editors' summaries of the best works that have been written on conversion in the United States, Great Britain, and the Scandinavian countries and by the rich store of ideas about the demilitarization of the economy and the possibilities and ways of normalizing its functioning at a time of disarmament.

It would be worthwhile to single out some of the central ideas which make up the clear, if not strictly defined, consensus serving as the basis of the scientific inquiries of L. Dumas, S. Melman, N. Gladich, and 15 other prominent researchers.

The authors feel that the planning of conversion is a prerequisite and an essential condition for its success. The book contains sound arguments in favor of this planning. They are thorough in the political, economic, and social respects and are addressed to the leaders of the Western countries which, in contrast to the Soviet Union, still have not realized the expediency of drawing up national conversion plans. For us, these arguments could be useful in the adjustment of our own experience in compiling and carrying out plans for the redirection of resources from military to civilian uses.

It is clear that the active compilation of conversion plans is a display of willingness for genuine arms reduction. The authors also describe this planning as a way of "clearing the path" for disarmament by relieving the millions of people employed in the military industry of the fear of losing their jobs and salaries as a result of cuts in military spending. Conversion plans are accurately viewed as a strategy for the prevention or neutralization of the economic difficulties arising from massive arms reductions. The authors' position is clear: With this kind of planning, the economy of any country can adapt to the conditions of declining militarism.

The researchers warn against the danger of "surprise conversion," in which cuts in military contracts are not preceded by the thorough compilation of plans for the conversion of enterprises for the manufacture of civilian products. The authors stipulate that thorough preparations for the production of new goods will take around 2 years. The length of this planning period was determined with a view to the actual volume of enterprise operations scheduled for conversion and warrants the most careful scrutiny. "Planning for economic conversion," we read in this work, "cannot be postponed until a military

contract is cancelled or the output of military products is seriously reduced. The main reason is the amount of time required for planning the alternative uses of buildings, equipment, and people. There is no simple formula for choosing the correct new product for a military enterprise. This necessitates thorough consideration of market demand and of the suitability of personnel and equipment for the new type of production. In addition to choosing the product, other decisions must be made on the retooling and reorganization of production, the choice of new materials and suppliers, and tests of the suitability of materials, equipment, and production processes for the manufacture of a new product. Two years is a reasonable period of time for the completion of all of this work" (pp 162-163).

One of the authors' ideas sounds controversial. This is the suggestion that a committee be set up at each large military enterprise to consider the alternative uses of resources, that these committees be responsible for production conversion plans in the event of cuts in military contracts, and that each of these committees compile and update detailed programs of conversion to civilian production at least once every 2 years. Important questions are raised and left unanswered. What is the reason for this "pervasive" approach to conversion planning? Why does it suggest unlimited preparations for conversion without any connection with specific volumes of armed forces and arms reduction? It appears that this system would not be coordinated with the stages of the disarmament process and would not be based on the actual political preconditions of conversion.

One of the main topics in the book is conversion legislation. Laws of this kind have not been passed yet in the United States or in other Western countries, but bills have been drafted and introduced. They have been debated for a long time. In the American Congress, for example, they began to be debated in the middle of the 1960's. In the Soviet Union the need for the drafting and passage of a conversion law by the Supreme Soviet began to be discussed in the late 1980's, and the first specific proposals have been made with regard to its wording. Appeals not to delay these important decisions can be heard more and more frequently in our press and during scientific debates. Obviously, Soviet legislation on conversion will have to reflect the distinctive nature of our socioeconomic conditions, but it will be useful to take a look around and to study, but not to copy, the experience of others. From this standpoint, there are interesting statements in the anthology regarding practical aspects of the legal basis of conversion. For example, there is the suggested requirement that defense enterprises be informed in advance of major changes in the distribution of military contracts. This is viewed as an important condition for their orderly conversion to civilian operations. In addition, this legislation should set requirements regarding the vocational retraining of personnel, especially managerial, engineering, and technical personnel.



The decentralized approach to conversion is highly recommended by the authors. They acknowledge the expediency of legislation creating the appropriate national commission or other central government agency, but with limited functions. They should cover only the general principles of the civilian conversion of the economy, set the criteria of assistance to converted enterprises and the regions where they are located, and promote local conversion projects. In this system, the responsibility for all practical work would be transferred to the enterprises to be converted and the committees created there for the investigation of the alternative uses of resources, including spokesmen for management and labor.

American legislative proposals connected with conversion envisage social guarantee. The most important is the retention of salaries (up to 90 percent of the previous amount) by the blue- and white-collar workers of converted enterprises. Benefits on this scale are based on the practice of the national automotive industry, in which unemployment benefits and compensation for lost wages during periods of planned reorganization are equivalent to just about 90 percent of the regular wages of workers (p 164). Salaries should be kept at this level for a period of up to 2 years, depending on the actual length of the transition process to the manufacture of new products.

It is regrettable that the causes of the unsuccessful attempts to enact a conversion law in the United States are not examined in the book. The strength and tenacity of the resistance of this kind of legislation are not explained. An analysis of the arguments on both sides would probably reveal a need to adjust legislative initiatives and clarify some basic premises, such as the coordination of the scales and procedure of conversion planning with the partial disarmament measures, which was discussed above.

In this book the reader will find several substantive descriptions of the place and role of conversion as an integral part of the disarmament process. It addresses not only the traditional questions about the effects of political decisions and agreements with regard to arms reduction on the start and development of conversion activity, but also about questions about the reciprocal effect of actual conversion on the proceedings and prospects of disarmament talks. This is a rare example—in Soviet and foreign publications—of a detailed discussion of the extremely important issue of economic guarantees of the irreversibility of the demilitarization process. We read: "The planning of economic conversion would facilitate the verification of nuclear disarmament because it would mean the curtailment of production operations at plants and installations, their dismantling and, wherever possible, their civilian re-specialization." The work goes on to say that conversion "should be regarded as an important part of the system for the verification of arms reductions" and will "lessen the opposition to further arms reductions" and "become a means of strengthening trust and broadening cooperation" (p 124).

Summarizing the authors' views in the final chapter of the book, Professor L. Dumas from the University of Texas stresses the need for a balanced approach to the assessment of the difficulties and possibilities of redirecting resources for civilian use. On the one hand, the expert acknowledges the highly complex and lengthy nature of the preparations for conversion and of the process itself: "It will require a thorough understanding of the significant differences between military and civilian production. Neither the market system nor central planning agencies have any magical means of quickly and effectively including the personnel, equipment, and plants of the military sphere in the civilian economy without special consideration for the problems of this transition period" (p 255). On the other hand, this expert categorically opposes the exaggeration of obstacles. "Different economic and political systems," he writes, "might require different approaches to conversion planning, but in the presence of a correct understanding of the differences between the military and civilian spheres in the areas of research, development, and production, and in the presence of patience and the willingness to offer serious assistance through government channels in the elimination of the difficulties of the transition period, there is every reason to believe that conversion can be carried out successfully" (p 256).

In closing, we must say that the Soviet reader will be interested in the assessments of the significance of conversion, the analysis of ways of securing its economic effectiveness, and the abundance of facts and statistics on military-economic matters. The book suggests interesting fields of research, including the summarization of the latest experience of different countries in the conversion of military enterprises for the manufacture of civilian products.

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#### Recent Publications

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#### Department Bureau Meeting

904M0013L Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 6, Jun 90 (signed to press 15 May 90) pp 150-152

[Text] Regular meetings of the bureau of the OPMEMO [Department of Problems of World Economics and International Relations] were held.

A report by IMEMO [Institute of World Economy and International Relations] Deputy Director I.S. Korolev, doctor of economic sciences, on "The Principles and Criteria of the Development of Foreign Economic Ties" was presented and discussed. He directed attention to three groups of interrelated issues: general approaches to the development of foreign economic ties (the rates and structure of commodity exchange and the relationship between export orientation and import replacement); the significance of foreign investment; the management and organization of these ties. The analysis focused on short- and medium-range objectives—i.e., the objectives of the transition period.

According to the speaker, the traditional approach to the development of foreign economic ties, in which the emphasis is on the quicker expansion of turnover and its share of the social product, requires some serious adjustments. The actual return on foreign trade is more important to the national economy. The data of IMEMO research indicate that the slight reduction of the volume

of these ties would be quite acceptable from the standpoint of its effect on internal balances of capital investments and manpower and on the state of external payments. In terms of the indicator of export quotas, we are on approximately the same level as the United States, but the bulk of our exports are resources (primarily oil) which we cannot export in larger quantities and cannot even continue to export in their present quantities. Furthermore, a higher level of processing is not always convenient for us either (because of low labor productivity, substandard technology, and quality deviations). Given the present state of our economy, the biggest economic impact (from the standpoint of economizing on labor resources and capital investments) is still produced, unfortunately, by the exchange of raw materials for finished products. The key to the gradual correction of this situation lies in the restructuring of the energy sector of the economy, which could raise quality indicators and lead to the better use of conditions in the world market.

In view of the extremely imbalanced nature of our economy, I.S. Korolev said, we should pay more attention to import replacement on the level of theory and practice. It could produce relatively quick results in the development of the domestic market, the enhancement of the competitive potential of goods, and the improvement of the public standard of living. The accuracy of this emphasis is also corroborated by projections of foreign payments and the need to heighten the effectiveness of foreign economic ties. Of course, this would not mean a return to autarchy. During the difficult transition period, it would primarily signify the reordering of import priorities to focus on our most important objectives—a higher percentage of finished products and consumer goods and the retooling of domestic machine building. As our domestic market is gradually filled with goods, there could be a stronger export orientation in our economy. The foreign economic sphere could serve as a buffer to neutralize the possible negative effects of structural changes in the national economy.

Inclusion in the world economy today is clearly impossible without the broad-scale attraction of foreign capital and technology in the form of commercial investments. They could produce results over the medium range, the speaker stressed, and reduce the length of the transition period. We are effectively limiting this flow with our unjustified stimulation of only joint ventures, sometimes on the basis of traditional compensatory transactions (the Tobolsk project and others). We must do everything within our power to encourage foreign investments, attracting them also (or perhaps primarily) in the form of 100-percent foreign ownership (of enterprises registered either as Soviet legal entities or as branches of foreign companies) and the purchase of existing joint ventures or construction projects and concessions. This will necessitate a move to primarily economic methods of management and the genuine restructuring of management in the foreign economic sphere, which will, incidentally, only make higher demands on centralized methods of



management—the procedures of issuing licenses, setting quotas and contingents, establishing limitations in the sphere of standards, etc. The main objective today is the perestroika of the infrastructure of foreign trade and the conversion of the former foreign trade associations into extra-departmental trade agencies working strictly on commission. We must always be aware, I.S. Korolev summarized his conclusions, that it is a waste of time to look for some kind of magic wand—whether it is the convertibility of the ruble (under present conditions) or the so-called free economic zone, which supposedly has the power to draw us into the world economy immediately. Before we can enter the world economy, we will have to perform a great deal of painstaking work, including the creative and intelligent application of world experience to the actual complex conditions of our own country, where the economy is now experiencing difficulties.

Academician A.M. Rumyantsev, Corresponding Member of the USSR Academy of Sciences An.A. Gromyko, and doctors of economic sciences G.G. Matyukhin, S.I. Gorbunov, G.L. Shagalov, A.N. Goncharov, S.Yu. Medvedkov, Yu.A. Yershov, L.V. Smirnov, M.M. Maksimova, Ye.G. Yasin, and V.A. Yashkin took part in the discussion of I.S. Korolev's report.

In line with the results of the discussion, the bureau passed a resolution expressing general approval of the report and recommending that IMEMO continue investigating the matter and prepare specific proposals.

"Reforms in China: Problems and Prospects"—this was the subject of a report presented to the OPMEMO bureau by Professor L.P. Delyusin, doctor of historical sciences and head of the China Department of the Oriental Studies Institute, USSR Academy of Sciences. Although he acknowledged that definite changes took place in the domestic policy of the Chinese leadership after the well-known "Tiananmen events" (June 1989), when conservative tendencies temporarily prevailed, he nevertheless disagreed categorically with the pessimistic forecasts of many Sinologists in our country and abroad with regard to the prospects for this country's socioeconomic and political development. These reforms constitute a lengthy and complex process, during which bold advances, regression, and inaction will all be present. New ideas about the socioeconomic aims of socialism and the methods of achieving them are taking shape in China, and there has been a departure from the Stalinist-Maoist model. Nevertheless, the speaker pointed out, although all of this produced good results in the beginning, contributing to the enhancement of economic effectiveness and the growth of production, by the middle of the 1980s the economy was already experiencing serious difficulties, and these were having a pernicious effect on the consumer market. In the speaker's opinion, these negative phenomena—rising prices, disparities in the development of certain branches, corruption, and speculation—gave rise to

public dissatisfaction and served as the objective basis for the uprisings in spring 1989.

To this day, L.P. Delyusin went on to say, the reasons for the derailment of the reforms are still being debated. The issue of political restructuring is the topic of heated debates. The discussion of this restructuring began back in 1980, but was then interrupted by the student uprising. The new Chinese leadership has declared its commitment to the cause of reform, stressing the need for more intense effort. At the same time, economic policy is being adjusted to improve the state of the economy: Stricter price controls have been instituted, and measures have been taken to regulate operations in the private and collective sectors of the economy. On the level of theory, a struggle has been launched against "bourgeois liberalism": Some economists are inclined to blame the problems that have cropped up in the last few years on weaker centralized planning and the exaggeration of the significance of the market mechanism. Some have advised a return to the priority of planning, to "more scientific" plans, and to "stricter control" of their fulfillment. The arguments about the role of private and state (or public) ownership have led to criticism of the thesis that "public ownership impedes the development of productive forces and gives workers and peasants less incentive to work." Some economists have admitted the possibility of the coexistence of private and collective ownership, but have insisted that these forms must function within confines set by public ownership, the purpose of which, in their opinion, was the ultra-leftist distortion of socialism.

This kind of theorizing in the debates has already produced negative results, the speaker said. The Chinese peasants are alarmed by the prospect of the restoration of the communes. People engaged in individual forms of labor and private enterprise are also worried about possible developments. In this context, several articles in the press have contained perceptible attempts to calm public opinion, stressing that the country's leadership is not giving up the program of reform and that a return to earlier practices is out of the question—that the leadership only wants to "restore order." There have also been references to political reform, but only in slow and cautious moves which will not cause disorder in the country.... There is no question, L.P. Delyusin said in conclusion, that although the future development of the country and the content and speed of the extremely complex reforms are still being debated in the national leadership, the prevailing and deciding opinion is still the belief that China will not be able to take its proper place in the world without these reforms.

Doctor of Economic Sciences V.S. Myasnikov, Candidate of Historical Sciences P.M. Ivanov, and Candidate of Economic Sciences V.P. Kurbatov took part in the discussion of the report.

The department bureau resolution on this matter expressed approval of the information presented in the report and stressed the importance of the continued

development of scientifically objective Sinological research in our country, presenting an accurate portrayal of all of the complex realities of our day, with the necessary expansion of creative cooperation by the concerned institutes of the USSR Academy of Sciences and other analytical centers.

Changes in the membership of the specialized Academic Council of the IMRD [Institute of International Workers' Movement] of the USSR Academy of Sciences were also discussed at the meeting. Institute Director T.T. Timofeyev, corresponding member of the USSR Academy of Sciences, addressed the question, specifically stressing the importance of thorough expert analyses and appraisals of the growing number of academic works in the field of political science. The membership of the council was increased: The new members are doctors of philosophical sciences and professors V.V. Zagladin and I.K. Pantin, doctors of historical sciences S.I. Vasil'tsov and A.M. Salmin, and Doctor of Juridical Sciences O.V. Martyshev.

By a decision of the department bureau, Professor A.I. Semenov, doctor of economic sciences, was nominated for the honorary title "Distinguished Scientist of the RSFSR."

In response to the requests of spokesmen for various academy institutes that bureau members express their opinion of the outburst of national-chauvinistic emotions in the country (particularly the well-known incident in the Writers' Center involving members of the Pamyat Society), the text of a special document of the OPMEMO bureau was unanimously approved at the meeting—a message to the USSR Supreme Soviet containing a principled assessment of the situation in this sphere and condemning the tolerance of aggressive nationalistic falsifications and demonstrations.

The bureau meeting was chaired by acting department Academic Secretary V.V. Zhurkin, corresponding member of the USSR Academy of Sciences.

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#### Chronicle of Institute Affairs

904M0013M Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 6, Jun 90 (signed to press 15 May 90) pp 152-154

[Text] Regular meetings of the Academic Council of IMEMO [Institute of World Economy and International Relations], USSR Academy of Sciences, were held.

In particular, the results of work on the institute research plan for 1989 were discussed. In a review of the research team's work during the report period, V.A. Martynov cited some impressive quantitative indicators (57 monographs were published, 165 analytical reports were compiled for government agencies, and several large-scale

research projects were conducted in all of the main programs approved by the academy agencies and directors). He also addressed several critical remarks, however, to those who had not kept up with assignments and asked the heads of subsections of the Academic Council for detailed reports on the work of the scientific subdivisions under their jurisdiction over the past year.

The IMEMO research plan for 1990 was also discussed and approved at the meeting.

"Procedural Aspects of Long-Range Social Forecasting" was the topic of the report presented by Doctor of Historical Sciences I.V. Bestuzhev-Lada, sector head at the Sociology Institute of the USSR Academy of Sciences. He reviewed the history of this field of research and described the specific practices employed during various stages of the development of Soviet society. He concentrated on an analysis of the present state of affairs in social forecasting and on comparisons, which do not always favor our scientists, with the forecasting activity of our foreign colleagues, which is futurological in the broad sense of the term. The speaker explained his own unique ideas about the organization of joint forecasting projects by the main establishments of the Academy of Sciences, based on a diversified and carefully balanced system of criteria and indicators. Today there is an urgent need for the precise and efficient coordination of all forecasting work in the country, presupposing the establishment of large research centers, like those which have been operating successfully for a long time in other developed states and on the international level, the speaker said. His proposals were unanimously supported by the people at the meeting.

The news that the directors of IMEMO and its party and trade-union organizations had been able to donate 10,000 rubles of the money the research team had earned over the past year to the Soviet Children's Foundation imeni V.I. Lenin met with the approval of participants.

"Capitalism in the 1990s"—a thorough analysis of this massive and multifaceted topic was the purpose of a special 2-day meeting of the Academic Council. It was, as the meeting chairman (V.A. Martynov) pointed out, a continuation of the debates that have grown more and more intense in the last year and a half or two years in the institute, leading to the adjustment and enrichment of the comprehensive analysis of the state of capitalism today. The latest stage in its evolution is distinguished by highly effective production, accelerated scientific and technical progress, important qualitative changes in the collectivization and internationalization of production, and the higher educational, skills, and cultural levels of manpower—the main factor providing strong and dynamic momentum for economic and social development under the conditions of the "mature" microprocessor revolution.

Reports on specific topics were presented by leading IMEMO experts: Doctor of Economic Sciences V.I.

Kuznetsov ("Capitalism in the 1990s"), Doctor of Economic Sciences Ye.S. Khesin ("The West European Economy Entering the 1990s"), Doctor of Economic Sciences L.L. Lyubimov ("The United States in the Last Quarter of the 20th Century"), Doctor of Historical Sciences S.P. Peregodov ("The Civilian Society and State: The Evolution of Relations"), Doctor of Historical Sciences V.G. Baranovskiy ("International Political Development in Europe: The Results of the 1980s and Prospects in the 1990s"), Doctor of Historical Sciences K.G. Kholodkovskiy ("Sociopolitical Developments in the 1980s"), Candidate of Economic Sciences V.K. Zaytsev ("Japan: The Development of a New Strategy of Economic and Social Development"), and Candidate of Economic Sciences L.M. Grigoryev ("The 1990s: Factors in the Stability of Demand").

The reports were then discussed by N.I. Ivanova, V.V. Razmerov, S.M. Nikitin, G.F. Kunadze, Yu.F. Oleshchuk, I.M. Osadchaya, N.D. Gauzner, N.P. Ivanov, A.Ya. Elyanov, A.I. Chekhutov, and I.V. Bushmarin.

In conjunction with the Austrian National Bank, the Commercial Science Department of IMEMO organized and held the institute's first international seminar for people's deputies serving as members of the Committee of the USSR Supreme Soviet on Economic Reform. The topic was "Austria's Experience in the Move from Administrative Economic Regulation to the Market Economy." Reports were presented by Austrian financiers, businessmen, and politicians who had been directly involved in making and carrying out the country's economic policy during different stages of its development: Doctor A. Wala, general director of the Austrian National Bank; Doctor H. Kinzle, vice president of the bank; Doctor K. Mundel and Doctor T. Lax, members of the bank board of directors; Doctor H. Androsch, former vice chancellor and federal finance minister; Doctor J. Dietz, National Council deputy and general secretary of the Austrian Economic Union; Doctor J. Taus, National Council deputy and president of the Main Union of Austrian Savings Banks; Doctor J. Varnleiter, head of the economic policy office of the Federal Economic Chamber; and Doctor K. Rothschild, professor at Linz University. Their reports gave Soviet legislators a good opportunity to hear "first-hand" information about specific and vivid examples of the successful resolution of the problems we are facing today. Specialists from central economic agencies and banks, the managers of several large enterprises, and representatives of research centers were also invited to attend the seminar.

Doctor H. Androsch specifically stressed that the stabilization of finances is a fundamental condition of the successful "start-up" of market mechanisms. In Austria the removal of surplus money from circulation began with the compulsory exchange of currency; this was followed by long-term measures to combat inflation—the regulation of credit expansion through interest rates and loan eligibility criteria, and measures to eliminate the budget deficit. The stabilization of finances, the

speaker warned, usually entails the redistribution of income, and therefore might give rise to occasional symptoms of crisis. In Austria, for example, there was a significant rise in the rate of unemployment in 1952.

The alleviation of social tension necessitates a balanced policy on prices and wages. As Doctor H. Kinzle pointed out in his report, national consensus is of vital importance here. Austrian officials knew from the very beginning that they could not rely on such extreme measures as a freeze on wages and prices and had to find acceptable and balanced rates of increase in both. The mechanism for solving these problems was the specially created Parity Commission, headed by the federal chancellor and consisting of representatives of trade unions, employers, and organizations of the other main segments of the population. The speaker stressed that effective policy on prices and wages is only possible when the leaders of these organizations understand the complexities of the national economic structure and realize the limits and possibilities of the demands they make and defend. In Austria, for example, it took at least 10 years of the intensive dissemination of economic knowledge to establish the necessary sound basis for a policy best serving the national interest.

Doctor J. Varnleiter presented a lengthy report on the regulation of competition as one of the "pillars" of economic policy during the period of transition to the primarily market-oriented economy, which is still important today. Extensive and diversified government support for small and medium-sized enterprises is an essential condition. This is the sector that is most capable of quick and flexible response to the needs of consumers and, consequently, of serving as an important factor in the stabilization of the labor market during periods of economic difficulty.

In their reports, our guests stressed several times that it would be impossible to suggest universal recipes applying directly to the USSR under the conditions of the present economic reform. In their opinion, the Soviet economy has the necessary potential to respond to the challenge it faces today. All existing resources and possibilities, including international cooperation, in which Austria has traditionally played a universally appreciated dynamic role, must be put to active use today.

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